

INCORPORATED VILLAGE OF ASHAROKEN

NORTHPORT, NEW YORK

FINANCIAL STATEMENTS

MAY 31, 2022

Table of Contents

| | Page(s) |
|---|----------------|
| Independent Auditors' Report | 1-3 |
| Management's Discussion and Analysis | 4-9 |
| Basic Financial Statements | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 10 |
| Statement of Activities | 11 |
| Fund Financial Statements: | |
| Balance Sheet | 12 |
| Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position | 13 |
| Statement of Revenues, Expenditures and Change in Fund Balance | 14 |
| Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of the Governmental Fund to the Statement of Activities | 15 |
| Notes to the Financial Statements | 16-37 |
| Required Supplementary Information | |
| Statement of Revenues, Expenditures and Change in Fund Balance Budget and Actual - General Fund | 38 |
| Schedule of the Local Government's Proportionate Share of the Net Pension Liability (Asset) | 39 |
| Schedule of Local Government Contributions | 40 |
| Schedule of Changes in Total OPEB Liability and Related Ratios | 41 |

SKINNON AND FABER
Certified Public Accountants, P.C.

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Incorporated Village of Asharoken
Northport, New York

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Incorporated Village of Asharoken, as of and for the year ended May 31, 2022, 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 Asharoken, as of May 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Incorporated Village of Asharoken, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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



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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 Incorporated Village of Asharoken'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.

Auditors' 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 Incorporated Village of Asharoken'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Incorporated Village of Asharoken's ability to continue as a going concern for a reasonable period of time.

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, local government's proportionate share of the net pension liability, local government contributions, and changes in total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Skinnon and Faber, CPAs, P.C.

SKINNON AND FABER, CPAs, P.C.
Islandia, New York
November 2, 2022

INCORPORATED VILLAGE OF ASHAROKEN

Management's Discussion and Analysis (Unaudited)

The Board of Trustees of the Incorporated Village of Asharoken (the "Village"), would like to offer readers of the Village's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended May 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The Statement of Net Position and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements report how Village activities were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail by providing information about the Village's most significant funds. The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by the required supplementary information, which supports the financial statements with a comparison of the Village's General Fund budget for the year, as well as the schedule of the local government's proportionate share of the net pension liability, the schedule of local government contributions, and the schedule of changes in total OPEB liability and related ratios.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net Position

The Village's total net position increased by \$178,124 for the fiscal year ended May 31, 2022. A condensed summary of the Village's Statement of Net Position for the current year is detailed below:

Condensed Statement of Net Position – Governmental Activities

| | <u>May 31, 2022</u> | <u>May 31, 2021</u> |
|------------------------------------|---------------------|---------------------|
| Assets | | |
| Current and Other Assets | \$ 1,934,177 | \$ 1,829,143 |
| Capital Assets (net) | <u>1,609,790</u> | <u>1,571,901</u> |
| Total Assets | <u>3,543,967</u> | <u>3,401,044</u> |
| Deferred Outflows of Resources | <u>603,891</u> | <u>757,147</u> |
| Liabilities | | |
| Liabilities | 197,750 | 136,483 |
| Long-Term Liabilities | <u>2,886,330</u> | <u>3,060,831</u> |
| Total Liabilities | <u>3,084,080</u> | <u>3,197,314</u> |
| Deferred Inflows of Resources | <u>671,163</u> | <u>746,386</u> |
| Net Position | | |
| Net Investment in Capital Assets | 1,609,790 | 1,571,901 |
| Restricted | 17,765 | 3,037 |
| Unrestricted | <u>(1,234,940)</u> | <u>(1,360,447)</u> |
| Total Net Position | <u>\$ 392,615</u> | <u>\$ 214,491</u> |

Net investment in capital assets is the Village's investment in capital assets such as buildings, infrastructure, machinery and equipment, furniture and fixtures, and vehicles, reduced by accumulated depreciation. This figure also includes land, which is not depreciated. More detailed information can be found in the Notes to the Financial Statements.

Change in Net Position

The Statement of Activities reports the result of the current and prior year's operations and the effect on net position in the accompanying financial statements. A summary of changes in net position from operating results is shown below:

Change in Net Position from Operating Results – Governmental Activities

| | For The Years Ended | |
|--|----------------------------|----------------------------|
| | <u>May 31, 2022</u> | <u>May 31, 2021</u> |
| Revenues | | |
| Program Revenues: | | |
| Fees, Fines and Charges for Services | \$ 207,047 | \$ 207,941 |
| Operating Grants and Contributions | 75,997 | 61,802 |
| Capital Grants and Contributions | 86,518 | 3,037 |
| General Revenues: | | |
| Property Taxes and Property/Non Property Tax Items | 1,715,899 | 1,703,602 |
| Use of Money and Property | 7,361 | 12,941 |
| State and Federal Aid | 80,860 | 54,396 |
| Gifts and Donations | 17,000 | 20,000 |
| Other | 3,850 | 15,398 |
| Total Revenues | <u>2,194,532</u> | <u>2,079,117</u> |
| Expenses | | |
| Governmental Activities: | | |
| General Government Support | 365,893 | 405,569 |
| Public Safety | 1,457,113 | 1,169,181 |
| Transportation | 9,809 | 10,789 |
| Culture and Recreation | 27,719 | 5,763 |
| Home and Community Services | 155,874 | 132,575 |
| Total Expenses | <u>2,016,408</u> | <u>1,723,877</u> |
| Change in Net Position | 178,124 | 355,240 |
| Net Position - Beginning of Year | <u>214,491</u> | <u>(140,749)</u> |
| Net Position - End of Year | <u>\$ 392,615</u> | <u>\$ 214,491</u> |

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

The Village had an excess of revenues over expenses of \$178,124. This excess caused an increase in net position resulting in an improvement in the financial position of the Village.

The Village had a net increase in total revenues of \$115,415 as compared to the previous year. This was mainly due to an increase in capital grants and contributions, during the year the Village received a DASNY grant in the amount of \$69,500 related to the Dune Restoration project.

In addition, the Village had a net increase in total expenses of \$292,531, as compared to the prior year. This was mainly due to an increase employee benefits for the current year. Overall, most expenses were in line with the prior year.

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The fund balance in the General Fund increased by \$34,827 to \$1,717,431. Of this amount, \$290,000 the Board of Trustees has assigned to the subsequent year budget, and \$1,308,823 is assigned for other future obligations including infrastructure, feasibility study, retirement, health insurance, police, marine, sanitation, equipment maintenance, building repair and maintenance costs, and other purposes. A schedule of these assigned amounts is included in the notes to the financial statements. A total of \$118,608 constitutes unassigned fund balance.

BUDGETARY ANALYSIS

A budget modification of \$33,128 was made as a result of funding received under the American Rescue Plan Act to adjust staff salaries due to loss of revenue for May 31, 2021 and May 31, 2022.

The following variances existed between the final budget for the fiscal year ended May 31, 2022 and the actual results:

Revenues:

- Final actual amounts were over budget by \$253,573.
- Licenses and Permits: (increase \$90,640) actual building permits revenue was higher than anticipated due to a significant amount of building activity during the year. The Village issued building permits for several new homes.
- Fines and Forfeitures: (increase \$37,124) during the fiscal year the Village issued two significant one-time fines to residents for a tree removal without a permit and for building without a permit.
- State and Federal Aid: (increase \$98,418) during the year the Village received a DASNY grant in the amount of \$69,500 related to the Dune Restoration project. In addition, the Village received funding under the American Rescue Plan Act totaling \$33,128.

Expenditures:

- Actual total expenditures were \$29,146 greater than the final budgeted amounts.
- General Government Support: Most expenditures were in line with expected amounts. Overall, expenditures related to General Government Support were \$29,392 greater than budgeted amounts. This was primarily due to the Dune Restoration project, partially funded by a DASNY grant and American Rescue Plan Act money.
- Home and Community Services: Expenditures were \$31,249 greater than budget. The full-time sanitation employee retired in October of 2021. He was not replaced; the Village is now utilizing an outside garbage company.

These variations from budgeted amounts are not expected to affect future services or liquidity.

A detailed schedule showing the budgeted amounts compared to the Village's actual financial activity for the General Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The Village's investment in capital assets as of May 31, 2022 totaled \$1,609,790 (net of accumulated depreciation). The increase in net capital assets for the year was \$37,889. During the course of the fiscal year, the Village acquired various capital assets totaling \$139,239. The acquisitions were capitalized and are being depreciated, where applicable, using the straight-line method of depreciation. The Village had no long-term debt activity.

INFRASTRUCTURE ASSETS

There were no significant changes in the assessed condition of eligible infrastructure assets.

CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

The economic conditions of the Village mirror those of the rest of the region. The Village faces increasing costs and shrinking revenues from non property tax revenue. The administration has been diligent in controlling expenses while continuing to provide efficient services to the residents.

The World Health Organization characterized the COVID-19 virus as a global pandemic on March 11, 2020. The duration and economic impact of this pandemic are uncertain. At this time, management is unable to quantify its potential effects on the operations and financial performance of the Village.

The Village applied for funding under the American Rescue Plan Act. The first payment of \$33,128 was received during the fiscal year. The second payment of the same amount was received July 15, 2022.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

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

Incorporated Village of Asharoken
Nancy Rittenhouse, Village Clerk
1 Asharoken Avenue
Northport, New York 11768

INCORPORATED VILLAGE OF ASHAROKEN

Statement of Net Position

May 31, 2022

ASSETS

| | |
|--------------------------------|------------------|
| Cash and Cash Equivalents | \$ 1,828,305 |
| Accounts Receivable | 11,379 |
| Due From Other Governments | 13,867 |
| Prepaid Expenses | 62,861 |
| Net Pension Asset - Restricted | 17,765 |
| Capital Assets (net) | <u>1,609,790</u> |

Total Assets 3,543,967

DEFERRED OUTFLOWS OF RESOURCES

603,891

LIABILITIES

| | |
|---------------------------------|----------------|
| Accounts Payable | 151,027 |
| Accrued Liabilities | 46,723 |
| Long-Term Liabilities: | |
| Net Pension Liability: | |
| Due Within One Year | - |
| Due in More than One Year | 67,544 |
| Other Post-Employment Benefits: | |
| Due Within One Year | - |
| Due in More than One Year | 2,525,085 |
| Compensated Absences: | |
| Due Within One Year | 29,370 |
| Due in More than One Year | <u>264,331</u> |

Total Liabilities 3,084,080

DEFERRED INFLOWS OF RESOURCES

671,163

NET POSITION

| | |
|----------------------------------|--------------------|
| Net Investment in Capital Assets | 1,609,790 |
| Restricted | 17,765 |
| Unrestricted | <u>(1,234,940)</u> |

Total Net Position \$ 392,615

INCORPORATED VILLAGE OF ASHAROKEN
Statement of Activities
For the Year Ended May 31, 2022

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) / Revenue |
|---|---------------------|---|---|---|--|
| | | Fees, Fines and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities: | | | | | |
| General Government Support | \$ 365,893 | \$ 125,068 | \$ 8,980 | \$ 15,620 | \$ (216,225) |
| Public Safety | 1,457,113 | 77,124 | 64,478 | 70,898 | (1,244,613) |
| Transportation | 9,809 | - | 2,539 | - | (7,270) |
| Culture and Recreation | 27,719 | 2,105 | - | - | (25,614) |
| Home and Community Services | 155,874 | 2,750 | - | - | (153,124) |
| Total Governmental Activities | \$ 2,016,408 | \$ 207,047 | \$ 75,997 | \$ 86,518 | (1,646,846) |
| General Revenues: | | | | | |
| | | | | | 1,681,641 |
| Real Property Taxes and Related Tax Items | | | | | 34,258 |
| Non Property Tax Items | | | | | 3,850 |
| Intergovernmental Charges | | | | | 7,361 |
| Use of Money and Property | | | | | 17,000 |
| Gifts and Donations | | | | | 80,860 |
| State and Federal Aid | | | | | <u>1,824,970</u> |
| | | Total General Revenues | | | 1,824,970 |
| | | | | | 178,124 |
| | | | | | <u>214,491</u> |
| | | | | | <u>\$ 392,615</u> |

See Notes to the Financial Statements

INCORPORATED VILLAGE OF ASHAROKEN

Balance Sheet

May 31, 2022

| | <u>General</u> |
|---|----------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 1,828,305 |
| Accounts Receivable | 11,379 |
| Due From Other Governments | <u>13,867</u> |
| Total Assets | <u><u>\$ 1,853,551</u></u> |
| | |
| Liabilities and Fund Balance | |
| Liabilities: | |
| Accounts Payable | \$ 89,397 |
| Accrued Liabilities | <u>46,723</u> |
| Total Liabilities | <u>136,120</u> |
| | |
| Fund Balance: | |
| Assigned - Appropriated | 290,000 |
| Assigned - Other | 1,308,823 |
| Unassigned | <u>118,608</u> |
| Total Fund Balance | <u>1,717,431</u> |
| | |
| Total Liabilities and Fund Balance | <u><u>\$ 1,853,551</u></u> |

INCORPORATED VILLAGE OF ASHAROKEN
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
As of May 31, 2022

Total Fund Balance - Total Governmental Fund \$ 1,717,431

This amount differs from the amount of net position in the Statement of Net Position due to the following:

Amounts for prepaid expenses are included in the government-wide financial statements as assets and are added. 62,861

Deferred outflows of resources related to pension are not reported in the governmental fund. 603,891

Capital assets are included in the government-wide financial statements as assets and are added, net of accumulated depreciation. 1,609,790

Liabilities that do not require the use of current financial resources are included in the government-wide financial statements and are deducted. (61,630)

Long-term liabilities do not require the use of current financial resources and, accordingly, are not reported in the governmental funds. These liabilities are, however, included in the government-wide financial statements and are deducted.

Net Pension (Liability)/Asset (49,779)

Other Post-Employment Benefits (2,525,085)

Compensated Absences (293,701)

Deferred inflows of resources related to pension are not reported in the governmental fund. (671,163)

Total Net Position \$ 392,615

INCORPORATED VILLAGE OF ASHAROKEN
Statement of Revenues, Expenditures and Change in Fund Balance
For the Year Ended May 31, 2022

| | General |
|--|------------------|
| Revenues: | |
| Real Property Taxes | \$ 1,677,192 |
| Real Property Tax Items | 4,449 |
| Non Property Tax Items | 34,258 |
| Departmental Income | 6,283 |
| Intergovernmental Charges | 3,850 |
| Use of Money and Property | 7,361 |
| Licenses and Permits | 123,640 |
| Fines and Forfeitures | 77,124 |
| Miscellaneous Local Sources | 34,840 |
| State and Federal Aid | 225,535 |
| Total Revenues | 2,194,532 |
| Expenditures: | |
| General Government Support | 455,696 |
| Public Safety | 1,118,315 |
| Transportation | 4,356 |
| Culture and Recreation | 27,719 |
| Home and Community Services | 151,185 |
| Employee Benefits | 455,567 |
| Total Expenditures | 2,212,838 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (18,306) |
| Other Financing Sources (Uses): | |
| Proceeds From Sale of Assets | 30,101 |
| Insurance Recoveries | 23,032 |
| Total Other Financing Sources | 53,133 |
| Net Change in Fund Balance | 34,827 |
| Fund Balance at Beginning of Year | 1,682,604 |
| Fund Balance at End of Year | \$ 1,717,431 |

See Notes to the Financial Statements

INCORPORATED VILLAGE OF ASHAROKEN
Reconciliation of the Statement of Revenues, Expenditures and Change
in Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended May 31, 2022

Net Change in Fund Balance for Total Governmental Fund \$ 34,827

This amount differs from the change in net position in the Statement of Activities because of the following:

Capital outlays for acquisition of capital assets are recorded in the governmental fund 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.

| | |
|----------------------|-----------|
| Capital expenditures | 139,239 |
| Depreciation expense | (101,350) |

Expenditures are recorded in the Governmental Fund when the payments are due. In the Statement of Activities, these costs are allocated over the period that they pertain to. This is the amount by which the current period expenditures exceed the total costs allocated over the applicable periods. (7,030)

Net change in deferred outflows of resources related to pension is not reported in the governmental fund. (153,256)

Most expenditures are recorded in the Governmental Fund when payments are due. In the Statement of Activities, these costs are allocated over the period that they pertain to. (1,795)

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 the governmental fund.

| | |
|--------------------------------|----------|
| Other Post-Employment Benefits | 41,028 |
| Net Pension Liability | 168,703 |
| Compensated Absences | (17,465) |

Net change in deferred inflows of resources related to pension is not reported in the governmental fund. 75,223

Change in Net Position of Governmental Activities in the Statement of Activities \$ 178,124

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (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 Village's significant accounting policies are described below.

A. FINANCIAL REPORTING ENTITY

The Incorporated Village of Asharoken (the Village), which was established in 1925, is governed by village law, general laws of the State of New York, and various local laws. The Board of Trustees is the legislative body responsible for overall operations, the Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer. The Village operates under a Board of Trustees form of government and provides the following services as authorized by its charter: general government, public safety, contracted fire services, refuse collection and road maintenance.

All governmental activities and functions performed for the Incorporated Village of Asharoken are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of: (a) the primary government which is the Village, (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 Statement 14, 39 and 61.

The decision to include a potential component unit in the Village's reporting entity is based on several criteria set forth in GASB 14, 39 and 61 including legal standing, fiscal dependency, and financial accountability. No other organizations have been included or excluded from the reporting entity.

B. BASIS OF PRESENTATION

1. Government-wide Financial Statements:

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Village. Fiduciary activities of the Village are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Village's assets and liabilities, including capital and infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

the liability is incurred. The types of transactions reported as program revenues for the Village are reported in three categories: 1) fees, fines, and charges for services, 2) operating grants and contributions and 3) capital grants and contributions.

Certain eliminations (as necessary) have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All interfund balances in the Statement of Net Position have been eliminated (where applicable).

2. Fund Financial Statements:

The Village uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

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

Fund Categories

GOVERNMENTAL FUNDS – 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 determination of financial position and changes in financial position (the source, uses and balances of current financial resources). The following are the Village’s governmental fund types.

General Fund – the principal operating fund and includes all operations not accounted for and reported in another fund.

3. Equity Classifications:

Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

enabling legislation.

- c. Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), breaks fund balance into five classifications: nonspendable, restricted, committed, assigned, and unassigned.

- a. Nonspendable - Consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.
- b. Restricted - Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- c. Committed - Consists of amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Board is the decision-making authority that can, by resolution prior to the end of the fiscal year, commit fund balance.
- d. Assigned - Consists of amounts that are subject to a purpose constraint that represents an intended use established by the government’s highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, the assigned fund balance represents the residual amount of the fund balance.
- e. Unassigned - Represents the residual classification for the government’s general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When resources are available from multiple classifications, the Village spends funds in the following order: restricted, committed, assigned, unassigned.

C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

Basis of accounting refers to when revenues and expenditures/expenses and the related assets, deferred outflows, liabilities and deferred inflows are recognized in the accounts and

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

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.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the liability is incurred.

Modified Accrual Basis – All Governmental Funds are accounted for using the modified accrual basis of accounting.

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough, thereafter, to be used to pay liabilities of the current period. Revenues are considered available if collected within 60 days of the end of the current fiscal year.

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, revenue from Federal and State grants are accrued when the expenditure is made, all other grant requirements have been met, and the resources are available.

Expenditures are recorded when a liability is incurred except that:

- Expenditures for prepaid items and inventory-type items are recognized at the time of purchase.
- Principal and interest on indebtedness are recognized as an expenditure when payment is due.
- Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when payment is due.
- Other post-employment benefits are charged as expenditures when payment is due.

D. CASH AND CASH EQUIVALENTS

The Village considers all highly liquid instruments with a maturity of three months or less at the date of purchase to be cash equivalents.

E. PROPERTY TAXES

Village real property taxes are levied annually no later than May 15 and become a lien on the first day of the levy year. Taxes are collected during the period June 1 to July 1 without penalty or interest. Penalty and interest are imposed pursuant to the Real Property Tax Law.

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

General Municipal Law Section 3-c established a tax levy limit for local governments in New York State effective June 24, 2011. This law generally limits the amount by which local governments can increase property tax levies to 2 percent or the rate of inflation, whichever is less. The law does provide exclusions for certain specific costs and allows the governing board to override the tax levy limit with a supermajority vote.

F. BUDGETARY DATA

1. Budget Policies - The budget policies are as follows:

- a. No later than March 20, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing the General Fund.
- b. A public hearing is conducted by the Board of Trustees to obtain comments, no later than May 1, the Board of Trustees adopts the budget.
- c. All modifications to the budget must be approved by the Board of Trustees. However, the Treasurer is authorized to transfer certain budget amounts within departments.
- d. Budgets are adopted annually on a basis consistent with generally accepted accounting principles applicable to municipalities.
- e. Appropriations in all budgeted funds lapse at the end of the fiscal year, except that outstanding encumbrances are re-appointed in the subsequent year.

G. CAPITAL ASSETS

Capital assets, which include buildings, infrastructure, machinery and equipment, furniture and fixtures, vehicles, and land, are reported in the government-wide financial statements. The capital assets are reported at original cost. Depreciation has been recorded using the straight-line method over 25 years for infrastructure, 5 to 10 years for machinery and equipment and furniture and fixtures, and 7 to 10 years for vehicles. Construction in progress and land are not depreciated. The Village capitalizes all fixed assets with a cost of \$500 or more.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures in governmental funds. Capital assets are not shown on governmental fund balance sheets.

H. COMPENSATED ABSENCES

Village police officers are granted vacation pay, sick leave and other compensatory hours in varying amounts. Estimated vacation pay, sick leave and other compensatory hours

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

accumulated by police officers have been recorded in the government-wide financial statements. Payment of this estimated liability is dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of these obligations when such payment becomes due. At May 31, 2022, the Village has an estimated liability of \$293,701 for compensated absences.

I. OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors. Currently, only members of the Village's Police Department are eligible for these benefits.

Healthcare 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 an expenditure in the governmental funds in the year paid. The liability for these other post-employment benefits payable is recorded as a long-term liability in the government-wide financial statements. The liability is estimated based on the most recent actuarial valuation in accordance with the parameters of GASB Statement No. 75.

J. INSURANCE

The Village assumes the liability for most risk including, but not limited to, property damage and personal injury liability. 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 the loss can be reasonably estimated.

K. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results may differ from those estimates.

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element,

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

II. DETAIL NOTES ON ALL FUNDS

A. ASSETS

1. Cash and Investments:

The Village investment policy is governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in 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 as provided for by law of all deposits not covered by federal deposit insurance (FDIC). 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.

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.

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the Village's custodial bank in the Village's name. They consisted of:

Deposits: All deposits, including certificates of deposit, are carried at cost plus accrued interest.

Bank balances for the Village's deposits with financial institutions as of May 31, 2022 totaled \$1,815,267 and are covered by FDIC insurance or third-party collateral as follows:

| | |
|---|--------------|
| Checking - Demand and Interest Bearing | \$ 1,815,267 |
| Total Balances | \$ 1,815,267 |
| Amount FDIC - Insured | \$ 250,000 |
| Collateral Held by Village's Letter of Credit | 1,565,267 |
| Total Balances | \$ 1,815,267 |

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

2. Changes in Capital Assets:

A summary of changes in capital assets follows:

| | Balance May 31, 2021 | Additions | Reductions | Balance May 31, 2022 |
|---|-------------------------|-----------|------------|-------------------------|
| Capital Assets That Are Not Depreciated: | | | | |
| Land | \$ 85,930 | \$ 1,025 | \$ - | \$ 86,955 |
| Total Nondepreciable Cost | 85,930 | 1,025 | - | 86,955 |
| Capital Assets That Are Depreciated: | | | | |
| Buildings | 1,165,685 | - | - | 1,165,685 |
| Infrastructure | 872,077 | 124,722 | - | 996,799 |
| Machinery and Equipment | 202,051 | 13,492 | - | 215,543 |
| Furniture and Fixtures | 43,428 | - | - | 43,428 |
| Vehicles | 321,031 | - | (92,582) | 228,449 |
| Total Depreciable Cost | 2,604,272 | 138,214 | (92,582) | 2,649,904 |
| Less: | | | | |
| Accumulated Depreciation: | | | | |
| Buildings | (255,731) | (26,024) | - | (281,755) |
| Infrastructure | (415,540) | (38,554) | - | (454,094) |
| Machinery and Equipment | (151,236) | (16,606) | - | (167,842) |
| Furniture and Fixtures | (44,571) | (2,265) | - | (46,836) |
| Vehicles | (251,223) | (17,901) | 92,582 | (176,542) |
| Total Accumulated Depreciation | (1,118,301) | (101,350) | 92,582 | (1,127,069) |
| Net Capital Assets That Are Depreciated | 1,485,971 | 36,864 | - | 1,522,835 |
| Grand Total | \$ 1,571,901 | \$ 37,889 | \$ - | \$ 1,609,790 |

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

| | |
|--|------------|
| <i>Governmental Activities</i> | |
| General Government Support | \$ 61,389 |
| Public Safety | 34,508 |
| Transportation | 5,453 |
| Total Depreciation Expense-Governmental Activities | \$ 101,350 |

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

B. LIABILITIES

1. Pension Plan:

Plan Description

The Village of Asharoken participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), which are collectively referred to as the New York State and Local Retirement System (the System). 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 serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2018, he was elected for a new term commencing January 1, 2019.

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. Generally, members of the System are employees, of the State and its municipalities, other than New York City.

ERS and PFRS are cost-sharing, multiple-employer, defined benefit pension plans. The System is included in the State of New York's financial report as a pension trust fund.

Separately issued financial statements for the System can be accessed on the Comptroller's website at www.osc.state.ny.us/retire/about_us/financial_statements_index.php.

Membership Tiers

Pension legislation enacted in 1973, 1976, 1983, 2009 and 2012 established distinct classes of membership. For convenience, the System uses a tier concept to distinguish these groups, generally:

ERS

Tier 1 Those persons who last became members before July 1, 1973.

Tier 2 Those persons who last became members on or after July 1, 1973, but before July 27, 1976.

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

- Tier 3 Generally, those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
- Tier 4 Generally, except for correction officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010.
- Tier 5 Those persons who last became members on or after January 1, 2010, but before April 1, 2012.
- Tier 6 Those persons who first became members on or after April 1, 2012.
- PFRS**
- Tier 1 Those persons who last became members before July 31, 1973.
- Tier 2 Those persons who last became members on or after July 31, 1973, but before July 1, 2009.
- Tier 3 Those persons who last became members on or after July 1, 2009, but before January 9, 2010.
- Tier 4 N/A
- Tier 5 Those persons who last became members on or after January 9, 2010, but before April 1, 2012, or who were previously PFRS Tier 3 members who elected to become Tier 5.
- Tier 6 Those persons who first became members on or after April 1, 2012.

Vesting

Members who joined the System prior to January 1, 2010 need five years of service to be 100% vested. Members who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) require ten years of service credit to be 100% vested.

Subsequent to March 31, 2022, legislation was passed that reduced the number of years of service credit from ten years to five years. Therefore, all members are vested when they reach five years of service credit.

Employer Contributions

Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2022 was approximately 16.2% of

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

covered employee payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2022 was approximately 28.3% of covered employee payroll. Delinquent annual bills for employer contributions accrue interest at the actuarial rate applicable during the year. For the fiscal year ended March 31, 2022, the applicable interest rate was 5.9%.

Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

| | | |
|---------|----|---------|
| 2021-22 | \$ | 199,652 |
| 2020-21 | | 166,426 |
| 2019-20 | | 152,805 |

Member Contributions

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Benefits

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least 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% 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% 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 of employment. For Tier 1 members who joined on or after June 17, 1971, each year

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

used in the final average salary calculation is limited to no more than 20% greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% greater than the average of the previous two years.

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% 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% 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% 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 of employment. For Tier 3, 4, and 5 members, each year of final average salary calculation is limited to no more than 10% greater than 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% 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% 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% 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% greater than the average of the previous four years.

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

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.

Disability Retirement Benefits

Disability retirement benefits are available to ERS and PFRS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offsets or other benefits depend on a member's tier, years of service, and plan.

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) ERS 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. The 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.

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

At May 31, 2022, the Village reported a liability of \$67,544 (PFRS) and an asset of - \$17,765 (ERS) for its proportionate share of the net pension liability/asset. The net pension liability/asset was measured as of March 31, 2022, and the total pension liability/asset used to calculate the net pension liability was determined by an actuarial

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

valuation as of that date. The Village's proportion of the net pension liability/asset 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 May 31, 2022, the Village's proportion was .0002173% for ERS, which was a decrease of .0000127 from its proportion measured at March 31, 2021. The Village's proportion for PFRS was 0.0118907%, which was a decrease of .0006795 from its proportion measured at March 31, 2021.

For the year ended May 31, 2022, the Village recognized pension expense of \$108,988. At May 31, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ 37,759 | \$ 1,745 |
| Changes in Assumptions | 433,916 | 500 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 625,723 |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 132,216 | 43,195 |
| Village's Contributions Subsequent to the Measurement Date | - | - |
| | <u>\$ 603,891</u> | <u>\$ 671,163</u> |

There were no amounts reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended March 31: | |
|----------------------|--------------------|
| 2023 | \$ 4,370 |
| 2024 | (25,635) |
| 2025 | (132,668) |
| 2026 | 78,638 |
| 2027 | 8,023 |
| | <u>\$ (67,272)</u> |

Actuarial Assumptions

The total pension liability/asset as of 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 liability/asset to March 31, 2022. The actuarial valuation for both ERS and PFRS used the following actuarial assumptions:

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

| | <u>ERS</u> | <u>PFRS</u> |
|---|------------|-------------|
| Inflation | 2.7% | 2.7% |
| Salary Increases | 4.4% | 6.2% |
| Investment Rate of Return (Net of Investment Expense, Including Inflation) | 5.9% | 5.9% |
| Cost of Living Adjustments | 1.4% | 1.4% |

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 previous actuarial valuation as of April 1, 2010 used the same assumptions to measure the total pension liability/asset.

The actuarial assumptions used in the April 1, 20222021 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 return, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--|------------------------------|---|
| Domestic equity | 32 % | 3.30 % |
| International equity | 15 | 5.85 |
| Private equity | 10 | 6.50 |
| Real estate | 9 | 5.00 |
| Opportunistic/Absolute Return Strategy | 3 | 4.10 |
| Credit | 4 | 3.78 |
| Real assets | 3 | 5.80 |
| Fixed Income | 23 | 0.00 |
| Cash | 1 | (1.00) |
| | <u>100 %</u> | |

The real rate of return is net of the long-term inflation assumption of 2.0%

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

Discount Rate

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

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

The following presents the Village's proportionate share of the net pension liability (asset) calculated using the discount rate of 5.9%, as well as what the Village's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.9%) or 1-percentage-point higher (6.9%) than the current rate:

| | 1% Decrease (4.9%) | Current Assumption (5.9%) | 1% Increase (6.9%) |
|------------------------------------|--------------------------|---------------------------------|--------------------------|
| ERS Net Pension Liability (Asset) | \$ 45,727 | \$ (17,765) | \$ (70,873) |
| PFRS Net Pension Liability (Asset) | 751,327 | 67,544 | (498,446) |

Pension Plan Fiduciary Net Position

The components of the net pension liability (asset) of participating employers as of March 31, 2022 were as follows:

| | Employees' Retirement System | Police and Fire Retirement System | Total |
|--|------------------------------------|---|----------------|
| | (Dollars in thousands) | | |
| Employers' total pension liability | \$ 223,874,888 | \$ 42,237,292 | \$ 266,112,180 |
| Fiduciary net position | 232,049,073 | 41,669,250 | 273,718,323 |
| Employers' net pension liability | \$ (8,174,185) | \$ 568,042 | \$ (7,606,143) |
| Ratio of Fiduciary net position to the employers' total pension liability | -103.65% | -98.66% | -102.86% |

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

2. Long-Term Liabilities

- a. The Village had the following long-term liabilities:
- Net Pension Liability – Represents the non-current portion of the liability to the various state retirement systems.
 - Other Post-Employment Benefits (OPEB) – Represents the non-current portion of the liability to current employees and retirees.
 - Compensated Absences – Represents the value of earned and unused portion of the liability for compensated absences.
- b. Summary of long-term liabilities – The following is a summary of long-term liabilities by fund:

| | |
|--------------------------------|----------------------------|
| | <u>General Fund</u> |
| Net Pension Liability | \$ 67,544 |
| Other Post-Employment Benefits | 2,525,085 |
| Compensated Absences | <u>293,701</u> |
| Total Long-Term Liabilities | <u><u>\$ 2,886,330</u></u> |

- c. The following is a summary of changes in long-term liabilities:

| | <u>Total</u> | <u>Net Pension Liability</u> | <u>Other Post- Employment Benefits</u> | <u>Compensated Absences</u> |
|-------------------------------------|----------------------------|----------------------------------|--|---------------------------------|
| Payable at beginning of fiscal year | \$ 3,060,831 | \$ 218,482 | \$ 2,566,113 | \$ 276,236 |
| Additions | 106,584 | - | 89,119 | 17,465 |
| Reductions | <u>(281,085)</u> | <u>(150,938)</u> | <u>(130,147)</u> | - |
| Payable at end of fiscal year | <u><u>\$ 2,886,330</u></u> | <u><u>\$ 67,544</u></u> | <u><u>\$ 2,525,085</u></u> | <u><u>\$ 293,701</u></u> |

Additions and reductions to unbilled retirement and compensated absences and other post-employment benefits are shown net since it is impractical to determine these amounts separately.

C. FUND BALANCE

The government's fund balance classification policies and procedures are as follows:

1. For committed fund balances:
 - a. The government's highest level of decision-making authority resides with the Board of Trustees.
 - b. The formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment is through formal resolution by the Board.

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

2. For assigned fund balances:

- a. The body or official authorized to assign amounts to a specific purpose is the Board of Trustees.
- b. The policy established by the governing body pursuant to which the authorization to assign amounts to a specific purpose is given to the Board of Trustees.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned, or unassigned), the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

The Village has made the following fund balance designations: As of May 31, 2022, \$290,000 has been assigned to the subsequent year budget, and \$1,308,823 has been assigned as follows:

| | | |
|-----------------------------------|----|--------------|
| Feasibility Study | \$ | 364,618 |
| Building Construction/Restoration | | 244,333 |
| Unpaid Benefits | | 236,468 |
| Tax Stabilization | | 186,538 |
| Highway | | 118,922 |
| Police and Marine Equipment | | 141,526 |
| Celebrations | | 16,418 |
| Total | | \$ 1,308,823 |

D. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. The Village administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Village’s group health insurance plan, which covers both active and retired members. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy. The Village contributes 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For the year ended May 31, 2022, the Village contributed \$13,200 to the plan. Plan members receiving benefits make no contribution. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid.

Benefits Provided. As of May 31, 2022, the following employees were covered by the benefit terms:

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

| | |
|--|---|
| Active employees | 3 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Inactive employees or beneficiaries currently receiving benefit payments | 4 |
| Total | 7 |

Total OPEB Liability. The Village’s total OPEB liability of \$2,525,085 was calculated using the entry age normal actuarial cost method as of May 31, 2022. For the year ended May 31, 2022, the Village recognized OPEB expense of (\$27,828).

Actuarial Assumptions and Other Inputs. The total OPEB liability in the May 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 |
| Amortization Method | Level Percentage of Payroll |
| Bond Yield | 2.15% |
| Discount Rate | 2.15% |
| Projected Salary Increases | 2.00% |
| Percentage Participation | 100.00% |

Mortality rates were based on Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

Turnover assumption was derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

NOL and ADC calculated using the Alternative Measurement Method in accordance with GASB methodology.

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

Changes in the Total OPEB Liability

| | |
|---|----------------------------|
| Balance at May 31, 2021 | <u>\$ 2,566,113</u> |
| Changes for the year: | |
| Service cost | 37,184 |
| Interest | 51,934 |
| Changes in benefit terms | - |
| Difference between expected and actual experience | (65,883) |
| Changes in assumptions and other inputs | (51,063) |
| Employer contributions | <u>(13,200)</u> |
| Net changes | <u>(41,028)</u> |
| Balance at May 31, 2022 | <u><u>\$ 2,525,085</u></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 1 percentage point lower (1.15%) or 1 percentage point higher (3.15%) than the current discount rate:

| | 1% Decrease (1.15%) | Discount Rate (2.15%) | 1% Increase (3.15%) |
|----------------------|---------------------------|-----------------------------|---------------------------|
| Total OPEB Liability | \$ 2,986,281 | \$ 2,525,085 | \$ 2,154,417 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the total OPEB Liability of the Village, as well as what the Village's total OPEB liability would be if were calculated using the healthcare cost trend rate that is 1 percentage point lower (3.2% increasing to 3.7%) or 1 percentage point higher (5.2% increasing to 5.7%) than the healthcare cost trend rates:

| | 1% Decrease (3.2% increasing to 3.7%) | Healthcare Cost Trends Rate (4.2% increasing to 4.7%) | 1% Increase (5.2% increasing to 5.7%) |
|----------------------|---|---|---|
| Total OPEB Liability | \$ 2,123,126 | \$ 2,525,085 | \$ 3,025,274 |

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

E. CONCENTRATIONS OF RISK

The Village maintains all cash and cash equivalents in several depositories. FDIC insurance covers the combined amount of all time and savings accounts up to \$250,000 (per official custodian) for demand accounts and time savings accounts separately. All deposits in excess of the FDIC limit are fully collateralized.

F. COMMITMENTS AND CONTINGENCIES

Fire Contract

The Village entered into a five-year contract with the Village of Northport for fire protection services on April 3, 2018. During the year ended May 31, 2022, the Village paid \$151,869 for these services, recognized as an expenditure in the General Fund.

Feasibility Study

In the fiscal year ended May 31, 2001, a contract for the performance of a feasibility study was entered into between the Army Corps of Engineers and the Village of Asharoken. The total estimated cost of the study was projected to be \$1,996,500, of which the portion paid by federal funds was estimated to be \$998,250, or 50%, and the balance paid through non-federal in-kind services of \$50,000, and state and Village shared funding. The estimated cost of the Village's portion of the liability was \$364,618, which has been recorded as an assignment to the General Fund Balance. The costs for this contract have not yet been incurred and/or invoiced; therefore, no liability has been recorded in the financial statements.

State Grants

The Village is a recipient of a number of State grants. These grants are administered by various agencies. These grants are subject to various compliance and financial audits by the respective agencies administering the grants, which could lead to certain disallowances. The Board believes that they have substantially complied with the rules and regulations as specified under the various grant agreements as well as rules and regulations of the respective agency for each grant.

Tax Certiorari

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amounts of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2022, which could affect future operating budgets of the Village.

**INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022**

Litigation

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased through independent third parties. There are no contingencies that the Village is aware of that would have a material impact on the financial statements.

In March 2020, the World Health Organization declared the COVID-19 virus a public health emergency. As of the date of this report management cannot reasonably determine the impact of COVID-19 on the Village's operations and financial position.

G. SUBSEQUENT EVENTS

There were no events subsequent to May 31, 2022 and the date that these financial statements were available to be issued, November 2, 2022, that would have a material impact on these financial statements.

INCORPORATED VILLAGE OF ASHAROKEN
Required Supplemental Information
For the Year Ended May 31, 2022
(Unaudited)

Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual - General Fund

| | Original Budget | Final Budget | Actual |
|--|----------------------------|-------------------------|---------------------|
| Revenues: | | | |
| Real Property Taxes | \$ 1,677,192 | \$ 1,677,192 | \$ 1,677,192 |
| Real Property Tax Items | 2,000 | 2,000 | 4,449 |
| Non Property Tax Items | 33,000 | 33,000 | 34,258 |
| Departmental Income | 3,250 | 3,250 | 6,283 |
| Intergovernmental Charges | - | - | 3,850 |
| Use of Money and Property | 10,000 | 10,000 | 7,361 |
| Licenses and Permits | 33,000 | 33,000 | 123,640 |
| Fines and Forfeitures | 40,000 | 40,000 | 77,124 |
| Miscellaneous Local Sources | 15,400 | 15,400 | 34,840 |
| State and Federal Aid | 93,989 | 127,117 | 225,535 |
| Total Revenues | 1,907,831 | 1,940,959 | 2,194,532 |
| Expenditures: | | | |
| General Government Support | 398,694 | 426,304 | 455,696 |
| Public Safety | 1,106,710 | 1,109,902 | 1,118,315 |
| Transportation | 21,000 | 21,000 | 4,356 |
| Culture and Recreation | 31,300 | 31,300 | 27,719 |
| Home and Community Services | 117,610 | 119,936 | 151,185 |
| Employee Benefits | 475,250 | 475,250 | 455,567 |
| Total Expenditures | 2,150,564 | 2,183,692 | 2,212,838 |
| Excess (Deficiency) of Revenues | | | |
| Over (Under) Expenditures | (242,733) | (242,733) | (18,306) |
| Other Financing Sources (Uses): | | | |
| Proceeds From Sale of Assets | - | - | 30,101 |
| Insurance Recoveries | - | - | 23,032 |
| Total Other Financial Sources | - | - | 53,133 |
| Net Change in Fund Balance | \$ (242,733) | \$ (242,733) | 34,827 |
| Fund Balance at Beginning of Year | | | 1,682,604 |
| Fund Balance at End of Year | | | \$ 1,717,431 |

See Notes to the Financial Statements

INCORPORATED VILLAGE OF ASHAROKEN
Required Supplementary Information
For the Year Ended May 31, 2022
(Unaudited)

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

NYSLRS Pension Plan
For the Fiscal Year Ended May 31 **

| | | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Village's proportion of the net pension liability (asset) | ERS | 0.0002173% | 0.0002300% | 0.0002450% | 0.0002574% | 0.0002777% | 0.0002835% | 0.0007520% |
| | PFRS | 0.0118907% | 0.0125702% | 0.0144840% | 0.0111195% | 0.0111280% | 0.0108032% | 0.0112888% |
| Village's proportionate share of the net pension liability (asset) | | \$ 49,779 | \$ 218,482 | \$ 839,029 | \$ 204,718 | \$ 121,440 | \$ 250,548 | \$ 454,943 |
| Village's covered payroll | | \$ 764,350 | \$ 705,719 | \$ 690,220 | \$ 745,500 | \$ 519,519 | \$ 407,889 | \$ 407,889 |
| Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | | 6.51% | 30.96% | 121.56% | 27.46% | 23.38% | 61.43% | 111.54% |
| Plan fiduciary net position as a percentage of the total pension liability | | 102.86% | 99.30% | 86.16% | 96.09% | 98.04% | 94.50% | 90.70% |

** The amounts presented for the fiscal year were determined as of the March 31, 2022 measurement date.

INCORPORATED VILLAGE OF ASHAROKEN
Required Supplementary Information
For the Year Ended May 31, 2022
(Unaudited)

Schedule of Local Government Contributions

| | Employees' Retirement System | | | | | | |
|---|--|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Actuarially required contribution | \$ 16,174 | \$ 14,354 | \$ 13,702 | \$ 13,165 | \$ 13,179 | \$ 13,159 | \$ 16,985 |
| Contributions in relation to the contractually required | 16,174 | 14,354 | 13,702 | 13,165 | 13,179 | 13,159 | 16,985 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Village's covered-employee payroll | \$ 115,850 | \$ 106,783 | \$ 107,450 | \$ 111,000 | \$ 80,785 | \$ 64,977 | \$ 66,731 |
| Contributions as a percentage of covered-employee payroll | 13.96% | 13.44% | 12.75% | 11.86% | 16.31% | 20.25% | 25.45% |
| | Police and Fire Retirement System | | | | | | |
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Actuarially required contribution | \$ 183,478 | \$ 152,072 | \$ 139,103 | \$ 158,934 | \$ 151,758 | \$ 134,207 | \$ 129,877 |
| Contributions in relation to the contractually required | 183,478 | 152,072 | 139,103 | 158,934 | 151,758 | 134,207 | 129,877 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Village's covered-employee payroll | \$ 648,500 | \$ 598,936 | \$ 582,770 | \$ 634,500 | \$ 438,734 | \$ 342,912 | \$ 341,158 |
| Contributions as a percentage of covered-employee payroll | 28.29% | 25.39% | 23.87% | 25.05% | 34.59% | 39.14% | 38.07% |

See Notes to the Financial Statements

INCORPORATED VILLAGE OF ASHAROKEN
Required Supplementary Information
For the Year Ended May 31, 2022
(Unaudited)

Schedule of Changes in Total OPEB Liability and Related Ratios

| <u>Total OPEB Liability</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Service cost | \$ 37,184 | \$ 32,945 | \$ 32,945 | \$ 14,464 |
| Interest | 51,934 | 57,663 | 34,393 | 34,717 |
| Changes of benefit terms | (65,883) | (319,410) | 1,232,904 | 68,790 |
| Difference between expected and actual experience | - | - | - | - |
| Changes in assumptions | (51,063) | (44,110) | (67,453) | (38,430) |
| Net benefits payments | <u>(13,200)</u> | <u>(22,253)</u> | <u>(115,813)</u> | <u>(112,704)</u> |
| Net change in total OPEB liability | (41,028) | (295,165) | 1,116,976 | (33,163) |
| Total OPEB liability - beginning of year | <u>2,566,113</u> | <u>2,861,278</u> | <u>1,744,302</u> | <u>1,777,465</u> |
| Total OPEB liability - end of year | <u><u>\$2,525,085</u></u> | <u><u>\$2,566,113</u></u> | <u><u>\$2,861,278</u></u> | <u><u>\$1,744,302</u></u> |
| Plan fiduciary net position as percentage of the total OPEB liability | 0% | 0% | 0% | 0% |
| Covered-employee payroll | \$ 764,350 | \$ 705,719 | \$ 690,220 | \$ 745,500 |
| Total OPEB liability as a percentage of covered-employee payroll | 330.36% | 363.62% | 414.55% | 233.98% |

Notes to Schedule:

The information in this schedule is intended to show 10 years. However, as of May 31, 2022 only four years are available.

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

There have been no significant changes in benefit terms, the size or composition of the population covered by the benefit terms, or assumptions used.