

PORT WASHINGTON POLICE DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT

December 31, 2021

PORT WASHINGTON POLICE DISTRICT
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (MD&A)	4
Basic Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Notes to Financial Statements	20
Required Supplementary Information other than MD&A:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	41
Schedule of the District's Proportionate Share of the Net Pension Liability	44
Schedule of District Pension Contributions	45
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	46

INDEPENDENT AUDITOR'S REPORT

To the Board of Police Commissioners
Port Washington Police District
Port Washington, New York

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund and Special Revenue Funds of Port Washington Police District (the "District"), a component unit of the Town of North Hempstead, New York, as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the District'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 the General Fund and Special Revenue Funds of the District as of December 31, 2021 and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District 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 these 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 District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is 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 and *Government Auditing Standards*, we:

- Exercise professional judgement 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 District'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 District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Pension Contributions and Schedule of Changes in the District's Total Other Post-Employment Benefits (OPEB) Liability and Related Ratios, on pages 4-13 and 41-46, 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 August 29, 2022 on our consideration of the District'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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sheehan & Company C.P.A., P.C.

**PORT WASHINGTON POLICE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Port Washington Police District’s (District) discussion and analysis of the financial performance provides an overall review of the District’s financial activities for the fiscal year ended December 31, 2021, in comparison with the year ended December 31, 2020, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

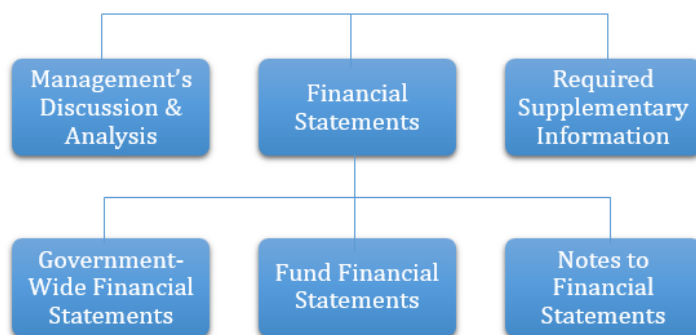
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2021 are as follows:

- The District’s total net position (deficit), as reflected in the government-wide financial statements, increased by \$4,858,922. This was due to an excess of expenses over revenues based on the economic resources measurement focus and the accrual basis of accounting.
- The District’s expenses for the year, as reflected in the government-wide financial statements, totaled \$29,150,451. Of this amount, \$82,243 was offset by program revenues consisting of police fees and reimbursements, and operating grants. General revenues of \$24,209,286 amount to 99.7% of total revenues.
- The general fund’s total fund balance, as reflected in the fund financial statements, increased by \$2,669,931 to \$16,196,273 at December 31, 2021. This was due to an excess of revenues over expenditures based on the current financial resources measurement focus and the modified accrual basis of accounting.
- In July 2021, the District sold the property adjacent to the District’s headquarters for net proceeds of \$734,341.
- The District’s 2021 budgeted property tax levy of \$22,050,238 was a 3.25% increase over the 2020 tax levy of \$21,355,696, which was equal to the District’s property tax cap. In 2020, the District recognized \$311,372 in restored property taxes; therefore the increase in actual real property tax revenue in 2021 compared to 2020 was 1.77%.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (MD&A), the financial statements, and required supplementary information other than MD&A. The financial statements consist of government-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



A. Government-Wide Financial Statements

The government-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two government-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District’s finances.

PORT WASHINGTON POLICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of the District's buildings and other capital assets.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds.

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, compensated absences and termination benefits, pension costs and other postemployment benefits (OPEB), which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on shorter-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

PORT WASHINGTON POLICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three governmental funds: the general fund, special revenue fund – asset forfeiture, and special revenue fund – grants, each of which is considered to be a major fund and is presented separately in the fund financial statements.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net deficit increased by \$4,858,922 between fiscal year December 31, 2021 and 2020. The deficit increase is due to expenses in excess of revenues based on the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2021	2020	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 17,354,058	\$ 14,864,813	\$ 2,489,245	16.75 %
Capital Assets, Net	1,409,555	2,196,292	(786,737)	(35.82)%
Total Assets	18,763,613	17,061,105	1,702,508	9.98 %
Deferred Outflows of Resources	31,483,266	28,636,361	2,846,905	9.94 %
Liabilities				
Current and Other Liabilities	228,771	167,363	61,408	36.69 %
Long-Term Liabilities	8,911,345	8,690,927	220,418	2.54 %
Net Pension Liability - Proportionate Share	3,932,088	12,647,078	(8,714,990)	(68.91)%
Total OPEB Liability	88,682,680	81,934,477	6,748,203	8.24 %
Total Liabilities	101,754,884	103,439,845	(1,684,961)	(1.63)%
Deferred Inflows of Resources	16,916,091	5,822,795	11,093,296	190.51 %
Net Position (Deficit)				
Net Investment in Capital Assets	1,393,881	2,165,690	(771,809)	(35.64)%
Restricted	882,747	1,130,751	(248,004)	(21.93)%
Unrestricted (Deficit)	(70,700,724)	(66,861,615)	(3,839,109)	(5.74)%
Total Net Position (deficit)	\$ (68,424,096)	\$ (63,565,174)	\$ (4,858,922)	(7.64)%

The increase in current and other assets is primarily related to increases in cash and prepaids.

PORT WASHINGTON POLICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The capital assets, net decrease is due to the elimination of the net book value of disposed assets and depreciation expense in excess of capital outlays and other asset additions. The accompanying Notes to Financial Statements, Note 6 "Capital Assets" provides additional information.

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

The increase in current and other liabilities is primarily due to increases in accounts payable and accrued liabilities.

The long-term liabilities increase is primarily the result of an increase in the long-term compensated absences and termination benefits liabilities.

Net pension liability – proportionate share represents the District's share of the New York State and Local Retirement System's and the New York State and Local Police and Fire Retirement System's collective net pension liability, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 9 "Pension Plans – New York State", provides additional information.

The total OPEB liability increase is based on the actuarial valuation of the plan. The accompanying Note to Financial Statements, Note 11 "Postemployment Healthcare Benefits" provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years. This category also includes an amount reserved for excess property tax levy resulting from the receipt of unanticipated restored property taxes during 2020.

The net investment in capital assets, relates to the District's investment at cost in capital assets such as land; buildings and improvements; and, furniture and equipment, net of accumulated depreciation and related debt. This balance as of December 31, 2021, is computed as follows:

Capital assets, net	\$ 1,409,555
Deduct:	
Installment debt	<u>(15,674)</u>
	<u>\$ 1,393,881</u>

The decrease in the restricted component of net position relates to the District's reserves for retirement contributions and asset forfeiture.

The unrestricted deficit component of net position relates to the balance in the District's net position. The balance does not include the District's reserves, which are classified as restricted. Additionally, certain unfunded liabilities will have the effect of reducing the District's unrestricted net position. One such unfunded liability is the total OPEB liability. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis and is not permitted to accumulate funds for the OPEB liability.

PORT WASHINGTON POLICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. A summary of these statements for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Police fees and reimbursements	\$ 5,174	\$ 5,658	\$ (484)	(8.55)%
Operating grants	77,069	69,892	7,177	10.27 %
General Revenues				
Real property taxes	22,050,821	21,667,062	383,759	1.77 %
Other tax items	1,946,601	1,889,521	57,080	3.02 %
Use of money and property	96,296	143,104	(46,808)	(32.71)%
Other	115,568	335,280	(219,712)	(65.53)%
Total Revenues	<u>24,291,529</u>	<u>24,110,517</u>	<u>181,012</u>	0.75 %
Program Expenses				
Personal services	12,169,153	11,564,810	604,343	5.23 %
Contractual expenditures	1,436,546	1,176,884	259,662	22.06 %
Employee benefits	14,995,038	15,975,422	(980,384)	(6.14)%
Other	48,549	61,547	(12,998)	(21.12)%
Depreciation	501,165	533,988	(32,823)	(6.15)%
Total Expenses	<u>29,150,451</u>	<u>29,312,651</u>	<u>(162,200)</u>	(0.55)%
Change in Net Position	<u>\$ (4,858,922)</u>	<u>\$ (5,202,134)</u>	<u>\$ 343,212</u>	(6.60)%

The District's total net position decreased by \$4,858,922 and \$5,202,134 for the years ended December 31, 2021 and 2020, respectively.

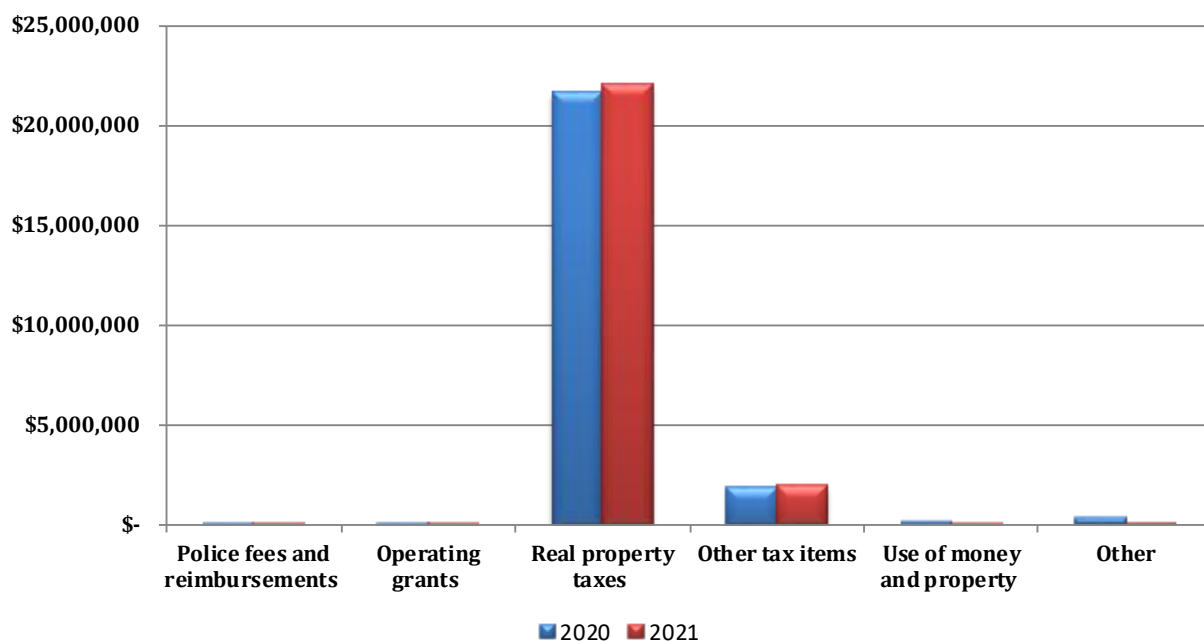
The District's revenues increased by \$181,012 or 0.75%. This increase is primarily attributable to increases in real property taxes and other tax items, offset partially by decreases in use of money and property, and other revenue. Property taxes were increased in 2021, to fund increases in appropriations in the 2021 budget. The increase in other tax items is the result of an increase in payments in lieu of taxes (PILOT), due to an increase in LIPA PILOT payments recognized and additional tax abatements granted by the Nassau County Industrial Development Agency. The decrease in use of money and property was mainly due to a decrease in interest earning from the prior year as a result of lower interest rates. The decrease in other revenue is primarily due to a decrease in sale of property and compensation for loss from the prior year.

The District's expenses for the year decreased by \$162,200 or 0.55%. This decrease is primarily due to a decrease in employee benefits, particularly as it relates to pension expenses that were offset by an increase in expenses related to other postemployment benefits.

As indicated on the graphs that follow, real property taxes is the largest component of revenues recognized (i.e., 90.8% and 89.9% of the total for the years 2021 and 2020, respectively). Personal services and employee benefits are the largest categories of expenses incurred (i.e., 93.2% and 94.0% of the total for the years 2021 and 2020, respectively).

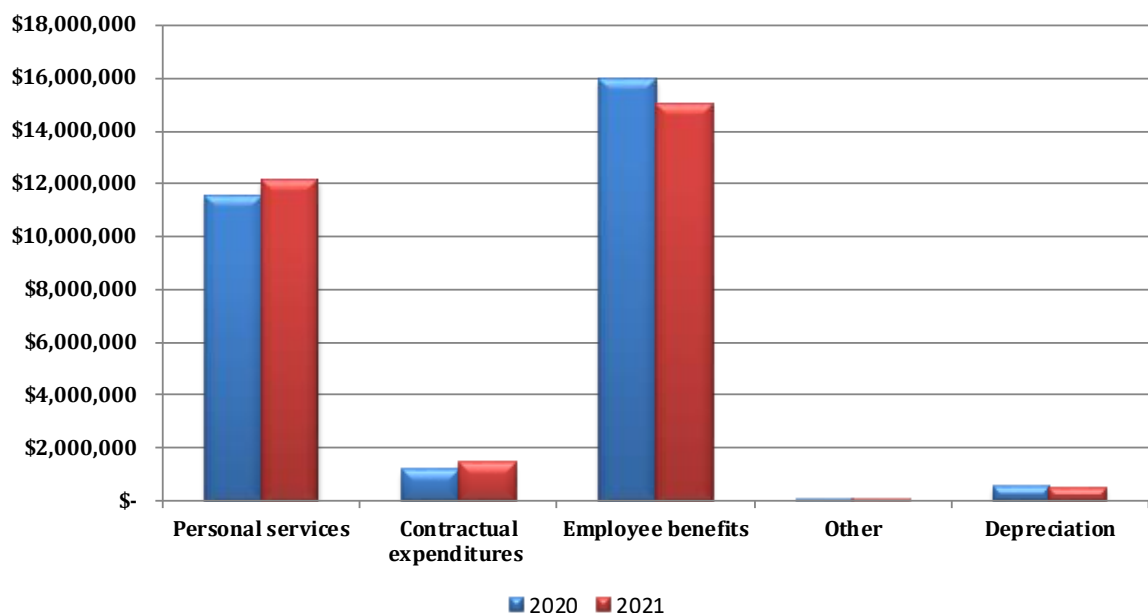
PORT WASHINGTON POLICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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



	Police fees and reimbursements	Operating grants	Real property taxes	Other tax items	Use of money and property	Other
2020	0.0%	0.3%	89.9%	7.8%	0.6%	1.4%
2021	0.0%	0.3%	90.8%	8.0%	0.4%	0.5%

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



	Personal services	Contractual expenditures	Employee benefits	Other	Depreciation
2020	39.5%	4.0%	54.5%	0.2%	1.8%
2021	41.8%	4.9%	51.4%	0.2%	1.7%

PORT WASHINGTON POLICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At December 31, 2021, the District's governmental funds reported a combined fund balance of \$17,075,575, which is an increase of \$2,421,924 over the prior year. This increase is due to an excess of revenues over expenditures using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2021	2020	Changes	Percentage Change
General Fund				
Nonspendable: Prepaids	\$ 1,220,502	\$ 975,268	\$ 245,234	25.15 %
Restricted:				
Retirement contribution	3,445	3,442	3	0.09 %
Assigned:				
Unappropriated fund balance	161,237	97,541	63,696	65.30 %
Sick leave and termination benefits	9,430,495	8,659,444	771,051	8.90 %
Capital	2,022,611	2,020,590	2,021	0.10 %
Unassigned: Fund balance	3,357,983	1,770,057	1,587,926	89.71 %
	<u>16,196,273</u>	<u>13,526,342</u>	<u>2,669,931</u>	19.74 %
Asset Forfeiture Fund				
Restricted: Asset forfeiture	879,302	1,127,309	(248,007)	(22.00)%
	<u>\$ 17,075,575</u>	<u>\$ 14,653,651</u>	<u>\$ 2,421,924</u>	16.53 %

A. General Fund

The general fund is the principal operating fund of the District. The fund balance of the general fund increased by \$2,669,931 in 2021, compared to an increase of \$1,791,717 in 2020. Revenues increased by \$911,135 or 3.78% over fiscal 2020 totals. This increase is primarily due to increases in property taxes, and sale of property and compensation for loss. Property taxes were increased in 2021 to fund increases in appropriations in the 2021 budget. The increase in sale of property is due to the sale of the property adjacent to the District's headquarters in the amount of \$734,341. Expenditures increased by \$32,921 or 0.15% over fiscal 2020 totals. This increase is primarily due to the increase in personal services, offset partially by a decrease in capital outlay, as the District purchased the premises adjacent to the Port Washington Police District in the prior year.

The increase in nonspendable: prepaids is due to the prepayment of the PBA Welfare Fund.

The increase in amounts restricted for retirement contributions is due to interest earned on the reserve.

The increase in the amount assigned for sick leave and termination benefits reflects Board-authorized additional assignment (\$1,426,093) and interest earnings (\$9,045), offset partially by the appropriation from the reserve for retirement payouts amounting to \$664,087. The increase in assigned for capital reflects interest earnings (\$2,021).

B. Asset Forfeiture Fund

The net change in the asset forfeiture fund-fund balance is a decrease of \$248,007, which reflects the current year's expenditures in excess of revenues.

PORT WASHINGTON POLICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2021 Budget

The District's general fund adopted budget for the year ended December 31, 2021, was \$24,204,533. This amount was increased by encumbrances carried forward from the prior year in the amount of \$97,541, and a budget revision of \$664,087 for the payment of retirement benefits, for a total final budget of \$24,966,161. The majority of the funding source was \$23,937,453 in property taxes and other tax items.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of current and prior years' excess revenues over expenditures, net of transfers to reserves, assignments established by the Board, encumbrances and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 1,770,057
Revenues Over Budget	794,935
Expenditures and Encumbrances Under Budget	2,475,387
Net Change in Nonspendable Prepaids	(245,234)
Net Change in Restricted	(3)
Amounts Transferred to Assigned	<u>(1,437,159)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 3,357,983</u></u>

Opening, Unassigned Fund Balance

The \$1,770,057 shown in the table is the portion of the District's December 31, 2020 fund balance that was retained as unassigned.

Revenues Over Budget

The 2021 final budget for revenues was \$24,204,533. Actual revenues recognized for the year were \$24,999,468. The surplus of actual revenues over estimated or budgeted revenues was \$794,935. This change contributes directly to the change in the general fund unassigned fund balance from December 31, 2020 to December 31, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures and Encumbrances Under Budget

The 2021 final budget for expenditures was \$24,966,161. Actual expenditures as of December 31, 2021 were \$22,329,537 and outstanding encumbrances were \$161,237. Combined, the expenditures plus encumbrances for 2021 were \$22,490,774. The final budget variance was \$2,475,387. This change contributes directly to the change in the unassigned portion of the general fund-fund balance from December 31, 2020 to December 31, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

PORT WASHINGTON POLICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Net Change in Nonspendable Prepaids

The District prepaid various insurance premiums, pension costs, and amounts to the PBA Welfare Fund at December 31, 2021. The resulting balance sheet asset (prepaids) cannot be spent because it is not in spendable form, meaning it will not be converted to cash. Accordingly, an equal amount of fund balance is classified as nonspendable. The increase in nonspendable fund balance decreases unassigned fund balance.

Net Change in Restricted

The \$(3) shown in the previous table is the interest earned on the reserve.

Amounts Transferred to Assigned

The \$(1,437,159) shown in the previous table represents an increase in the amounts assigned for sick leave and termination benefits, and capital. The District included in its 2021 budget funding for the assignment for sick leave and termination benefits in the amount of \$1,426,093. In addition, the assignments had interest earnings of \$9,045 for the sick and termination leave assignment, and \$2,021 for the assignment for capital.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the table, the District will begin 2021 with an unassigned fund balance of \$3,357,983. This is an increase of \$1,587,926 over the prior year.

6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At December 31, 2021, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to the elimination of the net book value of disposed assets and, and depreciation expense in excess of capital asset additions for the year ended December 31, 2021. A summary of the District's capital assets, net of accumulated depreciation at December 31, 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)
Land	\$ 16,500	\$ 16,500	\$ -
Buildings and improvements	256,000	1,076,346	(820,346)
Furniture and equipment	1,137,055	1,103,446	33,609
Capital assets, net	<u>\$ 1,409,555</u>	<u>\$ 2,196,292</u>	<u>\$ (786,737)</u>

B. Debt Administration

In June 2018, the District entered into an installment purchase debt agreement for the purchase of police equipment. The decrease in outstanding debt represents principal payments made throughout the year. A summary of the outstanding debt at December 31, 2021 and 2020 is as follows:

	Issue Date	Interest Rate	2021	2020	Increase (Decrease)
Installment Purchase Debt	2018	5.0%	<u>\$ 15,674</u>	<u>\$ 30,602</u>	<u>\$ (14,928)</u>

PORT WASHINGTON POLICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences and termination benefits payable which are based on employment contracts, net pension liability – proportionate share, and total other postemployment benefits liability which are based on actuarial valuations.

	2021	2020	Increase (Decrease)
Compensated absences and termination benefits payable	\$ 8,895,671	\$ 8,660,325	\$ 235,346
Net pension liability - proportionate share	3,932,088	12,647,078	(8,714,990)
Total OPEB liability	88,682,680	81,934,477	6,748,203
	<u>\$ 101,510,439</u>	<u>\$ 103,241,880</u>	<u>\$ (1,731,441)</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, for the year ending December 31, 2022, is \$24,902,408. This is an increase of \$697,875 or 2.88% over the previous year's budget. This increase is primarily the result of an increase in employee benefits, specifically related to retirement contributions.

The District estimated revenues other than real property taxes at an increase of \$75,968 over the prior year's estimate. As a result, real property taxes were increased \$621,907 or 2.82% (tax levy to tax levy).

B. Future Budgets

Significant increases in cost such as energy, pension and health insurance, and the property tax cap may have an impact on the District's future budgets.

C. Tax Cap

New York State Law limits the increase in the property tax levy of municipalities to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. Municipalities may override the tax levy limit by drafting a local law or resolution that overrides the tax levy limit and having it approved by 60% of the governing body. Based on the law, the District's tax levy cap for 2021 is 2.82%. The District's increase of 2.82% was equal to the cap and did not require an override vote.

8. CONTACTING THE DISTRICT

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Port Washington Police District
500 Port Washington Boulevard
Port Washington, New York 11050-4295

PORT WASHINGTON POLICE DISTRICT
Statement of Net Position
December 31, 2021

ASSETS

Cash	
Unrestricted	\$ 15,182,675
Restricted	882,747
Accounts receivable	26,235
Due from state	26,717
Due from other governments	15,182
Prepays	1,220,502
Capital assets not being depreciated	16,500
Capital assets being depreciated, net of accumulated depreciation	<u>1,393,055</u>
 Total Assets	 <u>18,763,613</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	14,663,357
Other postemployment benefits	<u>16,819,909</u>
 Total Deferred Outflows of Resources	 <u>31,483,266</u>

LIABILITIES

Payables	
Accounts payable	85,696
Accrued liabilities	135,637
Accrued interest payable	392
Unearned credits - collections in advance	7,046
Long-term liabilities	
Due and payable within one year	
Installment purchase debt payable	15,674
Compensated absences and termination benefits payable	628,766
Due and payable after one year	
Compensated absences and termination benefits payable	8,266,905
Net pension liability - proportionate share	3,932,088
Total other postemployment benefits liability	<u>88,682,680</u>
 Total Liabilities	 <u>101,754,884</u>

DEFERRED INFLOWS OF RESOURCES

Reserve for excess property tax levy	44,564
Pensions	12,576,761
Other postemployment benefits	<u>4,294,766</u>
 Total Deferred Inflows of Resources	 <u>16,916,091</u>

NET POSITION (DEFICIT)

Net investment in capital assets	1,393,881
Restricted	
Retirement contribution	3,445
Asset forfeiture	879,302
Unrestricted (deficit)	<u>(70,700,724)</u>
 Total Net Position (Deficit)	 <u>\$ (68,424,096)</u>

PORT WASHINGTON POLICE DISTRICT
Statement of Activities
For the Year Ended December 31, 2021

PROGRAM EXPENSES

Personal services	\$ 12,169,153
Contractual expenditures	1,436,546
Employee benefits	14,995,038
Taxes and assessments	47,392
Debt service - Interest	1,157
Depreciation	<u>501,165</u>

Total Program Expenses	<u>29,150,451</u>
------------------------	-------------------

PROGRAM REVENUES

Police fees and reimbursements	5,174
Operating grants	<u>77,069</u>

Total Program Revenues	<u>82,243</u>
------------------------	---------------

Net Program Expense	<u>29,068,208</u>
---------------------	-------------------

GENERAL REVENUES

Real property taxes	22,050,821
Other tax items	1,946,601
Use of money and property	96,296
Sale of property and compensation for loss	112,545
Miscellaneous	<u>3,023</u>

Total General Revenues	<u>24,209,286</u>
------------------------	-------------------

Change in Net Position (Deficit)	(4,858,922)
----------------------------------	-------------

Net Position (Deficit) - Beginning of Year	<u>(63,565,174)</u>
--	---------------------

Net Position (Deficit) - End of Year	<u><u>\$ (68,424,096)</u></u>
--------------------------------------	-------------------------------

PORT WASHINGTON POLICE DISTRICT
Balance Sheet - Governmental Funds
December 31, 2021

	General Fund	Special Revenue Funds		Total Governmental Funds
		Asset Forfeiture	Grants	
ASSETS				
Cash				
Unrestricted	\$ 15,182,273	\$ 402	\$	\$ 15,182,675
Restricted	3,445	879,302		882,747
Accounts receivable	26,235			26,235
Due from state	21,717		5,000	26,717
Due from other governments	15,182			15,182
Due from other funds	5,402			5,402
Prepays	1,220,502			1,220,502
Total Assets	<u>\$ 16,474,756</u>	<u>\$ 879,704</u>	<u>\$ 5,000</u>	<u>\$ 17,359,460</u>
LIABILITIES				
Payables				
Accounts payable	\$ 85,696	\$	\$	\$ 85,696
Accrued liabilities	135,637			135,637
Due to other funds		402	5,000	5,402
Unearned credits - collections in advance	7,046			7,046
Total Liabilities	<u>228,379</u>	<u>402</u>	<u>5,000</u>	<u>233,781</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	5,540			5,540
Reserve for excess property tax levy	44,564			44,564
Total Deferred Inflows of Resources	<u>50,104</u>	<u>-</u>	<u>-</u>	<u>50,104</u>
FUND BALANCES				
Nonspendable: Prepays	1,220,502			1,220,502
Restricted:				
Retirement contribution	3,445			3,445
Asset forfeiture		879,302		879,302
Assigned:				
Special purposes	11,453,106			11,453,106
Unappropriated	161,237			161,237
Unassigned: Fund balance	3,357,983			3,357,983
Total Fund Balances	<u>16,196,273</u>	<u>879,302</u>	<u>-</u>	<u>17,075,575</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,474,756</u>	<u>\$ 879,704</u>	<u>\$ 5,000</u>	<u>\$ 17,359,460</u>

PORT WASHINGTON POLICE DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2021

Total Governmental Fund Balances	\$ 17,075,575
----------------------------------	---------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 6,447,916	
Less: Accumulated depreciation	<u>(5,038,361)</u>	
		1,409,555

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

Deferred outflows of resources - pension	14,663,357	
Net pension liability	(3,932,088)	
Deferred inflows of resources - pension	<u>(12,576,761)</u>	
		(1,845,492)

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

Deferred outflows of resources	16,819,909	
Total other postemployment benefits liability	(88,682,680)	
Deferred inflows of resources	<u>(4,294,766)</u>	
		(76,157,537)

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.	5,540
---	-------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Interest payable	(392)	
Installment purchase debt payable	(15,674)	
Compensated absences and termination benefits payable	<u>(8,895,671)</u>	
		<u>(8,911,737)</u>

Total Net Position (Deficit)	<u>\$ (68,424,096)</u>
------------------------------	------------------------

PORT WASHINGTON POLICE DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2021

	General Fund	Special Revenue Funds		Total Governmental Funds
		Asset Forfeiture	Grants	
REVENUES				
Real property taxes	\$ 22,050,821	\$	\$	\$ 22,050,821
Other tax items	1,946,601			1,946,601
Police fees and reimbursements	5,174			5,174
Use of money and property	95,080	1,216		96,296
Operating grants	52,729		18,800	71,529
Sale of property and compensation for loss	846,886			846,886
Miscellaneous	2,177	846		3,023
Total Revenues	24,999,468	2,062	18,800	25,020,330
EXPENDITURES				
Personal services	12,150,353		18,800	12,169,153
Contractual expenditures	1,246,799	13,664		1,260,463
Employee benefits	8,480,088			8,480,088
Taxes and assessments	47,392			47,392
Capital outlay	388,447	236,405		624,852
Debt service				
Principal	14,928			14,928
Interest	1,530			1,530
Total Expenditures	22,329,537	250,069	18,800	22,598,406
Net Change in Fund Balance	2,669,931	(248,007)	-	2,421,924
Fund Balances - Beginning of year	13,526,342	1,127,309	-	14,653,651
Fund Balances - End of year	\$ 16,196,273	\$ 879,302	\$ -	\$ 17,075,575

PORT WASHINGTON POLICE DISTRICT
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2021

Net Change in Fund Balances \$ 2,421,924

Amounts reported for governmental activities in the Statement of Activities are different because:

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenues for these items are measured by the amount of financial resources provided (essentially, the amounts actually received). 5,540

Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in compensated absences and termination benefits payable	\$ (235,346)	(235,346)
---	--------------	-----------

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays and other additions in the period.

Capital outlays and other additions	473,475	
Depreciation expense	(501,164)	(27,689)

Proceeds from the sale of capital assets are reported as revenue in the governmental funds; however, they are reduced by the net book value (cost less accumulated depreciation) of the capital asset to result in the loss on sale of capital assets in the Statement of Activities.

Proceeds on sale	(734,341)	
Loss on disposal	(24,707)	(759,048)

Long-Term Debt Transactions Differences

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of installment purchase debt	14,928	
--	--------	--

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

	373	15,301
--	-----	--------

Pension and Other Postemployment Benefits Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Employees' retirement system	281,922	
Police and fire retirement system	69,915	
Other postemployment benefits	(6,631,441)	(6,279,604)

Change in Net Position (Deficit) of Governmental Activities	\$ (4,858,922)	
---	----------------	--

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port Washington Police District (District) is organized under the provisions of the State of New York. The District is governed by the Nassau County Civil Divisions Act, as amended in March 1998, and the laws of the State of New York.

The District is a component unit of the Town of North Hempstead (Town) and accordingly, the financial statements of the District are included in the financial statements of the Town. The Town board has the authority to reduce, increase, or otherwise change the adopted estimate of proposed expenditures and revenues only to the extent that it relates to the repayment of bonds and interest guaranteed by the Town.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

A. Reporting Entity

The financial reporting entity is based on criteria set forth by GASB. The reporting entity is the primary government, the District, as well as component units and other organizational entities determined to be includable in the District's financial reporting entity, based on the nature and significance of their relationship with the District. The accompanying financial statements present the activities of the District. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities which would be included in the District's reporting entity.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, asset forfeiture funds and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital specific grants if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for the District's governmental activities. Program revenues include (a) police fees and reimbursements and (b) grants that are restricted to meeting the operational or capital requirements. Revenues that are not classified as program revenues, including real property taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds. The District's financial statements present the following fund types:

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

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

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either governments that provide the funds or outside parties. The Asset Forfeiture Fund is accounted for in the special revenue funds as required by the New York State Comptroller's Directive. Revenues (asset forfeiture funds) from the U.S. Departments of Justice and Treasury (Departments) and Nassau County represent the District's share of federal and local forfeited property. Expenditures from such revenues can only be made in accordance with the respective guidelines promulgated by the Departments. Expenditures, which supplant the budget, are unallowable. In general, expenditures may be made for law enforcement purposes. The Grant Fund is used to account for proceeds of specific revenue sources the District receives in which funds are restricted in their use.

C. Measurement Focus and Basis of Accounting

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

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

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

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

liabilities of the current period. An availability period of approximately 180 days is used for recognition for governmental fund revenues, except for real property taxes, which shall not exceed 60 days. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and termination benefits, other postemployment benefits, and pension costs, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

D. Real Property Taxes

Calendar

Property taxes are collected by the Town of North Hempstead Receiver of Taxes on behalf of the District. The Town of North Hempstead Receiver of Taxes collects all property taxes for the Town, Nassau County, Town Special Districts and School Districts. Town, County, and Town Special District taxes are levied on January 1, and are due in two installments payable by February 10 and August 10.

Enforcement

The Town remits 100% of the amount of real property tax levied to the District. Responsibility for collection of unpaid taxes is assumed by Nassau County.

Payments in Lieu of Taxes (PILOT)

The District reports payments in lieu of taxes (PILOT) revenues in the general fund as part of other tax items revenue. These PILOT revenues are often the results of tax abatements granted by industrial development agencies of the town and/or County to help promote local economic development. Property owners make PILOT payments to the government agencies, which in turn remit the collected PILOT to the District.

The District's PILOT revenues also include payments from the Long Island Power Authority (LIPA) remitted by Nassau County. Beginning in the 2015-2016 fiscal year, the Nassau County Legislature removed properties owned by LIPA from the assessment and tax rolls and instead, allowed LIPA to make payments in lieu of taxes with annual increases of no more than 2% in response to the New York State Public Authorities Law Section 1020-q (the "LIPA Reform Act") enacted by the state in 2013. These LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No 77, *"Tax Abatement Disclosures"*, under which an entity receiving a reduction in tax revenues promises to take specific action that contributes to economic development or otherwise benefits the governments or residents of the governments.

E. Restricted Resources

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

F. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

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

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

G. Use of Estimates

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

H. Cash and Cash Equivalents

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

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves.

I. Receivables

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

J. Prepaid Items

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments reflect costs applicable to future accounting periods and are recorded as assets on the Statement of Net Position and Balance Sheet using the consumption method. Under the consumption method, a current asset for the prepaid item is recorded at the time of payment and an expense/expenditure is reported in the year the services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that prepaid items do not constitute available spendable resources.

K. Capital Assets

Capital assets are reflected in the government-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 1,000	15 - 39 yrs
Furniture and equipment	1,000	5 yrs

L. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and consists of the District's proportionate share of changes in the collective net pension liability not included in collective pension expense, as well as the District's contributions to the pension system (NYSLRS) subsequent to the measurement date. The second item is related to OPEB and represents the change in the total other postemployment benefits liability not included in OPEB expense.

M. Short-Term Debt

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date, seven years if originally issued during the calendar year 2015 through, and including, 2021. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve month period thereafter.

No short-term debt was issued during 2021.

N. Collections in advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as rental fees. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

O. Employee Benefits – Compensated Absences

Compensated absences consist of unpaid accumulated sick leave and unpaid compensation hours.

Sick leave eligibility and accumulation is specified in collective bargaining agreements. Unused vacation time is converted to unpaid compensation hours at the end of the year. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave and unpaid compensation hours. Employees covered under the Police Benevolent Association, Inc. (PBA) contract are entitled to a lump-sum payment of accumulated and unused sick leave to the extent of 50 percent thereof, but not to exceed 230 working days pay. Employees are vested for this benefit after 10 years of service.

In addition, training time owed can be used as days off or may be included in final payouts upon retiring. Training time owed cannot exceed 40 hours.

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the government-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by December 31st.

P. Employee Benefits – Termination Benefits

Upon separation from service after 20 years, for any reason other than cause, or upon death in service of any employee or upon retirement qualifying for either ordinary or accidental disability under the Retirement and Social Security Law of New York State, each employee covered under the Police Benevolent Association, Inc. (PBA) contract is entitled to a termination benefit payment of five days for each year (as defined) of completed service.

Consistent with GASB Statement No. 47, *Accounting for Termination Benefits*, the liability has been included in the government-wide financial statements. The termination benefits liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources.

Q. Other Benefits

Eligible District employees participate in the New York State and Local Employees' Retirement System or the New York State and Local Police and Fire Retirement System.

District employees may choose to participate in the District's elective deferred compensation plan established under Internal Revenue Code Section 457.

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

In addition to providing these benefits, the District provides individual, family or surviving spouse postemployment health insurance coverage for eligible retired employees. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is borne by the District. The District recognizes the cost of providing health insurance by recording

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

insurance premiums paid as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the government-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

R. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenues) until that time. The District has four items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state grants. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the government-wide financial statements, unavailable revenues are treated as revenues. The second item is related to the reserve for excess property tax levy, which is associated with unanticipated restored property taxes received from the Town in excess of the District's tax levy. The money will be used to reduce the tax levy in future years. The third item is related to pensions reported in the government-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension liability not included in collective pension expense. The fourth item is related to OPEB and represents the change in the total other postemployment benefits liability not included in OPEB expense.

S. Equity Classifications

Government-Wide Statements

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

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

Restricted – Reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

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

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of prepaid items, which is recorded in the general fund.

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. The District has established the following restricted fund balances:

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Retirement Contribution - Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

Asset Forfeiture - The use of asset forfeiture funds is subject to various guidelines depending upon the source of the funds. This reserve is accounted for in the special revenue fund for asset forfeiture.

Assigned - Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Commissioners. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, when applicable, and encumbrances not classified as restricted at the end of the fiscal year, as well as the following:

Sick Leave and Termination Benefits - The balance represents amounts set aside for sick leave and termination benefits, and is primarily funded through budgetary provisions in the general fund. This balance is accounted for in the general fund.

Capital - Amounts in the general fund assigned for capital represent monies earmarked for future capital needs.

Unassigned - Represents the residual classification for the District'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 fund balance resulting from the overspending of available resources.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Commissioners if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Commissioners.

The Board of Commissioners shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the Board of Commissioners will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged.

2. FUTURE ACCOUNTING STANDARDS

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

Effective for the Year Ending
December 31, 2022

Statement
GASB No. 87 - *Leases*

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENT-WIDE STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS

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

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

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

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

Capital Related Differences

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

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan.

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for health insurance premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The procedures used in establishing the budgetary data reflected in the basic financial statements are as follows:

The Chief of Police submits to the Board of Commissioners a proposed operating budget for the general fund, the only fund with a legally adopted budget, for the fiscal year commencing January 1st. The operating budget includes proposed expenditures and the means of financing them.

Public workshops are conducted by the District to obtain the public's comments on the proposed budget. On or before September 15th, the Board of Police Commissioners legally adopts the District's budget at a public hearing. The Town of North Hempstead is the legal entity with budget approval authority and has the right to modify the budget in certain circumstances; actual expenditures and operating transfers out may not legally exceed budget appropriations at the individual fund level.

Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Appropriations are established by adoption of the budget, are adopted at the program line item level and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. During the year, supplemental appropriations totaling \$664,087 occurred for sick leave and termination benefit payouts.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

municipalities. Investments are stated at fair value.

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

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

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

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

6. CAPITAL ASSETS

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

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 16,500	\$	\$	\$ 16,500
Total capital assets not being depreciated	16,500	-	-	16,500
Capital assets being depreciated:				
Buildings and improvements	2,696,243		(789,410)	1,906,833
Furniture and equipment	4,203,786	473,475	(152,678)	4,524,583
Total capital assets being depreciated	6,900,029	473,475	(942,088)	6,431,416
Less accumulated depreciation for:				
Buildings and improvements	1,619,897	61,298	(30,362)	1,650,833
Furniture and equipment	3,100,340	439,866	(152,678)	3,387,528
Total accumulated depreciation	4,720,237	501,164	(183,040)	5,038,361
Total capital assets being depreciated, net	2,179,792	(27,689)	(759,048)	1,393,055
Capital assets, net	<u>\$ 2,196,292</u>	<u>\$ (27,689)</u>	<u>\$ (759,048)</u>	<u>\$ 1,409,555</u>

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

7. INTERFUND TRANSACTIONS

Interfund balances at December 31, 2021, are as follows:

	Interfund	
	Receivable	Payable
General fund	\$ 5,402	\$
Asset forfeiture fund		402
Grants fund		5,000
	<u>\$ 5,402</u>	<u>\$ 5,402</u>

8. LONG-TERM LIABILITIES

A. Changes

The following table summarizes the changes in governmental activities in long-term liabilities, excluding pensions and other postemployment benefits liabilities, for the year ended December 31, 2021:

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Amounts Due Within One Year
<u>Long-term debt:</u>					
Installment purchase debt payable	\$ 30,602	\$	\$ (14,928)	\$ 15,674	\$ 15,674
<u>Other long-term liabilities:</u>					
Compensated absences and termination benefits	8,660,325	899,433	(664,087)	8,895,671	628,766
	<u>\$ 8,690,927</u>	<u>\$ 899,433</u>	<u>\$ (679,015)</u>	<u>\$ 8,911,345</u>	<u>\$ 644,440</u>

B. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at December 31, 2021
Police Equipment	2018	2022	5.0%	<u>\$ 15,674</u>

Year Ending December 31,	Principal	Interest	Total
2022	<u>\$ 15,674</u>	<u>\$ 784</u>	<u>\$ 16,458</u>

The terms of the installment purchase debt agreement provide hardware extended warranty coverage. Payment obligations are non-cancelable. If invoice payment is more than 30 days past due, then the contractor may terminate the agreement. The contractor will provide notification that the coverage is terminated as of the date of the termination and that no refunds will be given. The District would be invoiced and obligated to pay the remainder of the cost for the equipment received, unless the equipment is returned within 30 days of the date of termination.

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Interest Expense

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

Interest paid	\$ 1,530
Less interest accrued in the previous year	(765)
Plus interest accrued in the current year	<u>392</u>
 Total interest expense on long-term debt	 <u><u>\$ 1,157</u></u>

9. PENSION PLANS – NEW YORK STATE

A. Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Local Police and Fire Retirement System (PFRS), collectively known as NYSLRS. These are cost-sharing multiple-employer defined benefit public employee retirement systems. The NYSLRS provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The net position of the NYSLRS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the NYSLRS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the NYSLRS. Once a public employer elects to participate in NYSLRS, 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 District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The NYSLRS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found on the NYS Comptroller's website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

B. Funding Policy

The NYSLRS is noncontributory except for employees who joined after July 27, 1976 with less than ten years of credited service, who contribute 3% of their salary, or joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) and before April 1, 2012, who contribute 3% of their salary throughout active membership. For employees hired on or after April 1, 2012, employee contribution rates are dependent upon salaries and range from 3% to 6% of salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by February 1st. The District paid 100% of the required contributions as billed by the NYSLRS for the current year. The District's average contribution rate was 14.2% for ERS and 24.2% for PFRS of covered payroll for the NYSLRS' fiscal year ended March 31, 2021.

The District's share of the required contributions, based on covered payroll for the current year ended December 31, 2021, was \$158,287 for the ERS and \$2,867,507 for the PFRS.

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

At December 31, 2021, the District reported the following liability for its proportionate share of the net pension liability for the NYSLRS. The net pension liability was measured as of March 31, 2021 for both ERS and PFRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the NYSLRS relative to the projected contributions of all participating members, actuarially determined. This information was provided by the NYSLRS in reports provided to the District.

	ERS	PFRS
Measurement date	March 31, 2021	March 31, 2021
District's proportionate share of the net pension liability	\$ (2,861)	\$ (3,929,227)
District's portion of the Plan's total net pension liability	0.0028734%	0.2263020%
Change in proportion since the prior measurement date	(0.0002815)	0.0067561

For the year ended December 31, 2021, the District recognized pension expense of \$88,372 for ERS and \$2,585,585 for PFRS. At December 31, 2021, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	PFRS	ERS	PFRS
Differences between expected and actual experience	\$ 34,942	\$ 871,875	\$	\$
Changes of assumptions	526,075	9,653,685	9,922	
Net difference between projected and actual earnings on pension plan investments			821,893	11,553,661
Changes in proportion and differences between the District's contributions and proportionate share of contributions	79,339	1,154,107	61,145	130,140
District contributions subsequent to the measurement date	120,140	2,223,194		
Total	\$ 760,496	\$ 13,902,861	\$ 892,960	\$ 11,683,801

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending December 31,	ERS	PFRS
2022	\$ (34,100)	\$ (148,605)
2023	(9,102)	214,571
2024	(45,046)	(184,581)
2025	(164,356)	(1,902,704)
2026	-	2,017,185
	\$ (252,604)	\$ (4,134)

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	ERS	PFRS
Measurement date	March 31, 2021	March 31, 2021
Actuarial valuation date	April 1, 2020	April 1, 2020
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, 2019 used April 1, 2010 – March 31, 2015 system experience. The actual assumptions were based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 5.90% (the discount rate used at the prior year measurement date of March 31, 2020 was 6.8%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the NYSLRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected real rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.90%, as well as what the District'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:

ERS	1% Decrease 4.90 %	Current Assumption 5.90 %	1% Increase 6.90 %
District's proportionate share of the net pension asset (liability)	<u>\$ (794,147)</u>	<u>\$ (2,861)</u>	<u>\$ 726,890</u>
PFRS	1% Decrease 4.90 %	Current Assumption 5.90 %	1% Increase 6.90 %
District's proportionate share of the net pension asset (liability)	<u>\$ (16,709,286)</u>	<u>\$ (3,929,227)</u>	<u>\$ 6,649,360</u>

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurement dates, were as follows:

	ERS	PFRS
	<i>(Dollars in Thousands)</i>	
Measurement date	March 31, 2021	March 31, 2021
Employers' total pension liability	\$ (220,680,157)	\$ (41,236,775)
Plan fiduciary net position	<u>220,580,583</u>	<u>39,500,500</u>
Employers' net pension liability	<u>\$ (99,574)</u>	<u>\$ (1,736,275)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	99.95%	95.79%

Prepayments to the Pension Plan

For ERS and PFRS, employer contributions are paid annually based on the NYSLRS' fiscal year, which ends on March 31st. Annual payments are due February 1st. An employer can elect to prepay the amount due by December 15th to receive a 1% discount. The District paid the annual invoice in December. This resulted in a prepayment of \$781,111 for the period of January 1, 2022 through March 31, 2022. Employee contributions are remitted monthly.

10. PENSION PLANS - OTHER

Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended December 31, 2021 totaled \$890,722, and \$188,606 into ROTH designated accounts.

11. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District provides OPEB for eligible retired employees. The benefits provided to employees upon retirement are based on provisions in various contracts that the District has in place with different classification of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

Employees Covered by Benefit Terms – At January 1, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	101
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>82</u>
	<u>183</u>

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Total OPEB Liability

The District's total OPEB liability of \$88,682,680 was measured as of December 31, 2021, and was determined by an actuarial valuation as of January 1, 2020. Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs – The total OPEB liability, as of the measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.50% average, including inflation
Discount rate	1.80%
Healthcare cost trend rates	8.50% for 2021, decreasing to an ultimate rate of 4.50% by 2027
Retirees' share of benefit-related costs	0.00% of projected health insurance premiums for retirees

The discount rate was based on a review of the yield derived from the 20 Year AA Municipal GO Bond Rate Index as of December 31, 2021 per Fidelity Investments.

Mortality rates were based on the Society of Actuaries' RP-2014 Total Dataset, as appropriate, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the January 1, 2020 valuation were based on the experience of the New York State and Local Employees' Retirement System and the New York State Police and Fire Retirement System as outlined in Aon's New York State/SUNY – Development of Recommended Actuarial Assumptions for Other Postemployment Benefit Plans Actuarial Valuations – Participating District Version – June 2019 Report.

C. Changes in the Total OPEB Liability

Balance at January 1, 2021	<u>\$ 81,934,477</u>
Changes for the year	
Service cost	3,391,652
Interest	1,623,472
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	3,254,827
Benefit payments	<u>(1,521,748)</u>
	<u>6,748,203</u>
Balance at December 31, 2021	<u><u>\$ 88,682,680</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.00% in 2020 to 1.80% in 2021.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.80%) or 1 percentage point higher (2.80%) than the current discount rate:

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

OPEB	1% Decrease 0.80%	Discount Rate 1.80%	1% Increase 2.80%
Total OPEB liability	<u>\$(108,030,862)</u>	<u>\$(88,682,680)</u>	<u>\$(74,046,014)</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.50% to 3.50%) or 1 percentage point higher (9.50% to 5.50%) than the current healthcare cost trend rate:

OPEB	1% Decrease 7.50% decreasing to 3.50%	Healthcare Cost Trend Rates 8.50% decreasing to 4.50%	1% Increase 9.50% decreasing to 5.50%
Total OPEB liability	<u>\$(71,735,157)</u>	<u>\$(88,682,680)</u>	<u>\$(111,685,277)</u>

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2021, the District recognized OPEB expense of \$8,153,189. At December 31, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 3,166,929	\$
Changes of assumptions	<u>13,652,980</u>	<u>4,294,766</u>
Total	<u>\$ 16,819,909</u>	<u>\$ 4,294,766</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Amount
2022	\$ 3,138,065
2023	3,138,065
2024	3,825,285
2025	1,881,254
2026	<u>542,474</u>
	<u>\$ 12,525,143</u>

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

12. RISK FINANCING AND RELATED INSURANCE

The District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and other losses. The District currently reports all of its risk management activities in the general fund. These risks are currently covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

13. INSURANCE RECOVERIES

Insurance recoveries consist of \$83,059 in workers' compensation reimbursements, which are reported in revenues – sale of property and compensation for loss.

14. ASSIGNED FUND BALANCE

Assigned fund balance for special purposes consists of \$9,430,495 assigned for sick leave and termination benefits and \$2,022,611 for future capital needs.

15. TAX ABATEMENTS

The Nassau County Industrial Development Agency enters into various property tax abatement programs for the purpose of economic development under New York State Real Property Tax Law §412-a. The amount by which the District's property tax revenue was reduced as a result of these abatements was \$2,467,520. The District received payments in lieu of taxes (PILOT) payments totaling \$1,221,717.

The District also recognized \$724,172 in LIPA PILOT revenue. As indicated in Note 1D, these LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, *Tax Abatement Disclosures*.

16. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At December 31, 2021, the District encumbered the following amounts:

Restricted:

Asset Forfeiture Fund

Contractual expenditures	\$ 31,036
--------------------------	-----------

Assigned: Unappropriated Fund Balance:

General Fund

Contractual expenditures	140,211
--------------------------	---------

Capital outlay	21,026
----------------	--------

161,237

\$ 192,273

B. Litigation

The District is involved in lawsuits arising from the normal conduct of affairs. The District believes that the outcome of any matters will not have a material effect on these financial statements.

PORT WASHINGTON POLICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$90,131. The minimum remaining operating lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 81,548
2023	8,592
2024	<u>7,320</u>
	<u>\$ 97,460</u>

17. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

PORT WASHINGTON POLICE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 22,050,238	\$ 22,050,238	\$ 22,050,821	\$ 583
Other tax items	1,887,215	1,887,215	1,946,601	59,386
Police fees and reimbursements	6,000	6,000	5,174	(826)
Use of money and property	152,080	152,080	95,080	(57,000)
Operating grants			52,729	52,729
Sale of property and compensation for loss	4,000	4,000	846,886	842,886
Miscellaneous	105,000	105,000	2,177	(102,823)
Total Revenues	<u>24,204,533</u>	<u>24,204,533</u>	<u>24,999,468</u>	<u>\$ 794,935</u>
APPROPRIATED FUND BALANCE				
Prior Year's Surplus		664,087		
Prior Year's Encumbrances	<u>97,541</u>	<u>97,541</u>		
Total Appropriated Fund Balance	<u>97,541</u>	<u>761,628</u>		
Total Revenues and Appropriated Fund Balance	<u>\$ 24,302,074</u>	<u>\$ 24,966,161</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

PORT WASHINGTON POLICE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
Personal services					
Personal services	\$ 12,462,173	\$ 12,433,717	\$ 12,096,353	\$	\$ 337,364
Commissioners fees	54,000	54,000	54,000		-
Total Personal Services	<u>12,516,173</u>	<u>12,487,717</u>	<u>12,150,353</u>	<u>-</u>	<u>337,364</u>
Contractual expenditures					
Stationery and printing	30,000	11,823	6,830		4,993
Publicity	-	18,177	18,177		-
Books and publications	1,500	1,500	199		1,301
Office supplies and expenses	17,170	15,645	14,429	181	1,035
Data processing/computer	234,102	254,819	253,294	1,525	-
Telephone and communications	67,000	75,922	75,922		-
Electric/Gas	45,000	43,237	41,529		1,708
Water	500	842	842		-
Insurance	225,000	220,925	190,558		30,367
Conferences, meetings and training	64,000	69,292	38,429		30,863
Election	4,000	4,546	4,546		-
Auditing	24,500	25,000		25,000	-
Accounting contractual	29,400	28,900	11,000	11,000	6,900
Actuary	8,000	8,000	7,250		750
Legal	80,000	53,829	27,946		25,883
Legal, contractual	43,500	43,500	42,784		716
Professional services	40,000	5,082			5,082
Medical, contractual	25,000	21,517	2,100		19,417
Medical, reimbursements	10,000	8,557			8,557
Labor management	40,000	41,443	41,443		-
Uniforms and equipment	138,825	164,996	138,011	26,985	-
Gasoline	74,000	74,000	72,809		1,191
Patrol supplies and ammunition	117,239	120,722	78,871	41,851	-
Repair and maintenance					
Operating equipment	85,000	153,169	119,918	33,251	-
Plant and grounds	49,000	37,457	33,231	418	3,808
Office equipment	7,000	7,000	4,726		2,274
Legal notices	2,000	2,000	1,118		882
Miscellaneous	15,000	26,543	20,837		5,706
Total Contractual Expenditures	<u>1,476,736</u>	<u>1,538,443</u>	<u>1,246,799</u>	<u>140,211</u>	<u>151,433</u>
Employee benefits					
Provisions for retirement	1,426,093	2,090,180	664,087		1,426,093
Police & civilian retirement	2,627,446	3,025,794	3,025,794		-
Social security & Medicare	732,000	754,850	754,850		-
PBA Welfare fund	130,325	195,177	126,482		68,695
Unemployment insurance	25,000	25,000			25,000
Disability insurance	2,000	2,000	1,044		956
Hospital & medical insurance	3,900,000	3,501,652	3,390,683		110,969
Dental insurance	38,000	38,000	35,331		2,669
Perma contract	725,000	695,542	481,817		213,725
Total Employee Benefits	<u>9,605,864</u>	<u>10,328,195</u>	<u>8,480,088</u>	<u>-</u>	<u>1,848,107</u>

PORT WASHINGTON POLICE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
Taxes					
MTA tax	\$ 59,000	\$ 59,000	\$ 43,228	\$	\$ 15,772
Taxes and assessments	14,988	14,988	4,164		10,824
Total Taxes	73,988	73,988	47,392	-	26,596
Capital outlay					
Building	170,000	31,561	19,250		12,311
Office equipment	103,100	103,100	3,191	333	99,576
Operating equipment	356,213	386,699	366,006	20,693	-
Total Capital Outlay	629,313	521,360	388,447	21,026	111,887
Debt Service					
Principal		14,928	14,928		-
Interest		1,530	1,530		-
Total Debt Service		16,458	16,458	-	-
Total Expenditures	<u>\$ 24,302,074</u>	<u>\$ 24,966,161</u>	<u>22,329,537</u>	<u>\$ 161,237</u>	<u>\$ 2,475,387</u>
Net Change in Fund Balance			2,669,931		
Fund Balance - Beginning of Year			<u>13,526,342</u>		
Fund Balance - End of Year			<u>\$ 16,196,273</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

PORT WASHINGTON POLICE DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Seven Fiscal Years

Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0028734%	0.0031549%	0.0031549%	0.0034776%	0.0037022%	0.0035807%	0.0035245%
District's proportionate share of the net pension liability	\$ 2,861	\$ 912,486	\$ 223,535	\$ 112,239	\$ 347,869	\$ 574,713	\$ 119,067
District's covered payroll	\$ 1,018,161	\$ 1,054,943	\$ 1,011,976	\$ 1,207,312	\$ 1,164,328	\$ 1,126,494	\$ 1,097,548
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.28 %	86.50 %	22.09 %	9.30 %	29.88 %	51.02 %	10.85 %
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rate	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

Police and Fire Retirement System

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.2263020%	0.2195459%	0.2299099%	0.2355811%	0.2222076%	0.2526673%	0.2063531%
District's proportionate share of the net pension liability	\$ 3,929,227	\$ 11,734,592	\$ 3,855,734	\$ 2,381,152	\$ 4,605,590	\$ 7,480,940	\$ 568,007
District's covered payroll	\$ 10,345,640	\$ 10,599,436	\$ 10,106,686	\$ 10,246,363	\$ 9,529,998	\$ 9,958,031	\$ 10,192,165
District's proportionate share of the net pension liability as a percentage of its covered payroll	37.98 %	110.71 %	38.15 %	23.24 %	48.33 %	75.12 %	5.57 %
Plan fiduciary net position as a percentage of the total pension liability	95.79%	84.86%	95.09%	96.93%	93.46%	90.24%	99.03%
Discount rate	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

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

PORT WASHINGTON POLICE DISTRICT
Schedule of District Pension Contributions
Last Ten Fiscal Years

Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 158,287	\$ 151,030	\$ 155,668	\$ 182,903	\$ 179,543	\$ 181,738	\$ 199,160	\$ 212,619	\$ 237,017	\$ 183,793
Contributions in relation to the contractually required contribution	158,287	151,030	155,668	182,903	179,543	181,738	199,160	212,619	237,017	183,793
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,036,769	\$ 1,018,146	\$ 1,050,137	\$ 1,039,142	\$ 1,211,361	\$ 1,166,034	\$ 1,111,461	\$ 1,087,701	\$ 1,044,935	\$ 1,031,009
Contributions as a percentage of covered payroll	15%	15%	15%	18%	15%	16%	18%	20%	23%	18%

Police and Fire Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 2,867,507	\$ 2,521,148	\$ 2,358,191	\$ 2,352,569	\$ 2,305,709	\$ 2,446,021	\$ 2,703,158	\$ 2,058,997	\$ 4,320,656	\$ 2,204,925
Contributions in relation to the contractually required contribution	2,867,507	2,521,148	2,358,191	2,352,569	2,305,709	2,446,021	2,703,158	2,058,997	4,320,656	2,204,925
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$10,937,280	\$10,226,957	\$10,501,190	\$10,108,316	\$10,117,502	\$ 9,596,031	\$10,135,471	\$10,000,432	\$ 9,549,768	\$10,409,532
Contributions as a percentage of covered payroll	26%	25%	22%	23%	23%	25%	27%	21%	45%	21%

PORT WASHINGTON POLICE DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Four Fiscal Years

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 3,391,652	\$ 2,604,384	\$ 2,002,093	\$ 2,156,599
Interest	1,623,472	1,896,864	2,077,622	1,932,078
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	-	4,750,393	-	-
Changes of assumptions or other inputs	3,254,827	3,282,300	11,664,197	(4,123,324)
Benefit payments	<u>(1,521,748)</u>	<u>(1,707,387)</u>	<u>(1,575,890)</u>	<u>(1,573,267)</u>
Net change in total OPEB liability	6,748,203	10,826,554	14,168,022	(1,607,914)
Total OPEB liability, beginning	<u>81,934,477</u>	<u>71,107,923</u>	<u>56,939,901</u>	<u>58,547,815</u>
Total OPEB liability, ending	<u><u>\$ 88,682,680</u></u>	<u><u>\$ 81,934,477</u></u>	<u><u>\$ 71,107,923</u></u>	<u><u>\$ 56,939,901</u></u>
Covered employee payroll	\$ 9,471,022	\$ 9,471,022	\$ 8,742,428	\$ 8,742,428
Total OPEB liability as a percentage of covered employee payroll	936.36%	865.11%	813.37%	651.31%
Discount Rate	1.80%	2.00%	2.70%	3.70%
Healthcare trend rates	8.50% to 4.50% by 2027	8.50% to 4.50% by 2027	9.50% to 5.00% by 2025	9.50% to 5.00% by 2025

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

Note to Required Supplementary Information

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