INCORPORATED VILLAGE
OF HEAD OF THE HARBOR

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT

February 28, 2026

INCORPORATED VILLAGE OF HEAD OF THE HARBOR
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CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Incorporated Village of Head of the Harbor
St. James, New York

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Incorporated Village of Head of the Harbor ("the Village"), as of and for the year ended February 28, 2026, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Incorporated Village of Head of the Harbor, as of February 28, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or

the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures, and changes in fund balance – budget and actual – general fund, schedule of the Village's proportionate share of the net pension asset/(liability), and schedule of Village pension contributions on pages 3 through 14 and 40 through 44, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Cullen & Danowski, LLP

Port Jefferson Station, New York
July 27, 2026

The Incorporated Village of Head of the Harbor's ("the Village") discussion and analysis of the financial performance provides an overall review of the Village's financial activities for the fiscal year ended February 28, 2026 in comparison with the year ended February 28, 2025, 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.

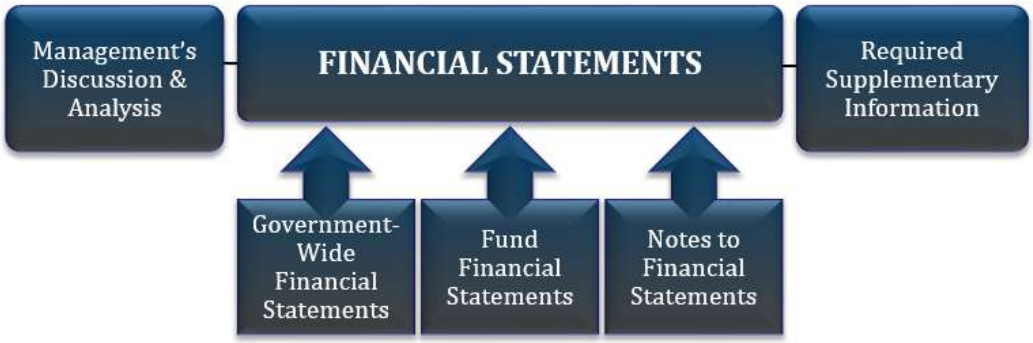
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2026, are as follows:

- The Village's total net position, as reflected in the government-wide financial statements, increased by $67,382. This was due to an excess of revenues over expenses using the economic resources measurement focus and the accrual basis of accounting.
- The Village's expenses for the year, as reflected in the government-wide financial statements, totaled $2,362,094. Of this amount, $206,202, was offset by program charges for services, and $204,785 by capital grants. General revenues of $2,018,489 amount to 83.08% of total revenues, and were adequate to cover the balance of program expenses.
- The Village was awarded $204,785 in funding for the consolidated local street and highway improvement program (CHIPS) from the New York State Department of Transportation.
- On the balance sheet the general fund's total fund balance, as reflected in the fund financial statements, increased by $32,035 to $1,048,316. This was due to an excess of revenues over expenditures using the current financial resources measurement focus and the modified accrual basis of accounting.
- On the balance sheet, the general fund's unassigned fund balance at year end was $838,255. This represents an increase of 0.74% over the prior year.
- The Village's 2026 property tax levy of $1,400,684 was a 9.16% increase over the 2025 tax levy, which was more than the Village's property tax cap of 3.1%.

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 (RSI). 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 Village and are organized to provide an understanding of the fiscal performance of the Village, 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 Village's finances.

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 Village'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 Village is improving or deteriorating. To assess the overall health of the Village, one needs to consider the nonfinancial factors such as the changes in the Village's property tax base and the condition of the Village's significant 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 flows in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds, not the Village 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 Village also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the Village 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 Village incurs the liability, except for certain expenditures, such as debt service on general long-term indebtedness and pension costs, 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 funds 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 Village's operations and the services it provides.

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 Village'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 Village maintains two individual governmental funds: general fund and parkland fund projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

The Village adopts an annual budget for the general fund. A budgetary comparison statement has been provided for the general fund within the RSI to demonstrate compliance with the budget.

3. FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

A. Net Position

The Village's total net position increased by $67,382 between fiscal year 2026 and 2025. The increase is due to revenues in excess of expenses using the economic resources measurement focus and the accrual basis of accounting. A summary of the Village's Statements of Net Position, follows:

	2026	2025	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	$ 6,638,762	$ 6,785,842	$ (147,080)	(2.17)%
Capital Assets, Net	907,732	1,027,469	(119,737)	(11.65)%
Total Assets	7,546,494	7,813,311	(266,817)	(3.41)%
Deferred Outflows of Resources	478,405	556,053	(77,648)	(13.96)%
Liabilities				
Current and Other Liabilities	106,163	179,652	(73,489)	(40.91)%
Long-term liabilities	326,156	415,624	(89,468)	(21.53)%
Net Pension Liability - Proportionate Share	494,726	489,540	5,186	1.06 %
Total Liabilities	927,045	1,084,816	(157,771)	(14.54)%
Deferred Inflows of Resources	5,400,860	5,654,936	(254,076)	(4.49)%
Net Position				
Net Investment in Capital Assets	757,732	802,469	(44,737)	(5.57)%
Restricted	117,479	115,002	2,477	2.15 %
Unrestricted	821,783	712,141	109,642	15.40 %
Total Net Position	$ 1,696,994	$ 1,629,612	$ 67,382	4.13 %

The change in current and other assets is predominantly due to a decrease in cash.

The decrease in capital assets, net is due to depreciation expense in excess of capital asset additions. The "Capital Assets" Note provides additional information.

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

The change in current and other liabilities is mainly due to decreases in accounts payable and other liabilities.

The decrease in long-term liabilities is due to the repayment of the current maturity of bond indebtedness, and amounts due to the New York State and Local Retirement System for retroactive membership and pension stabilization.

Net pension liabilities – proportionate share represents the Village's share of the New York State and Local Employees' Retirement System's (ERS) and the New York State Local Police and Fire Retirement System's (PFRS) collective net pension liabilities, at the measurement date of the respective year. The increase in net pension liabilities is primarily due to the net change in the plans total pension liabilities being in excess of the net change in the market value of the pension plan assets at their current year measurement dates. The "Pension Plans" Note provides additional information.

Deferred inflows of resources represents property taxes and assessments received before the period for which they are levied or assessed, the amount of long-term leases receivable that will be amortized and recognized as lease revenues over the term of the lease, and actuarial adjustments of the pension plans that will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost, net of accumulated depreciation and related outstanding debt.

The restricted amount relates to the Village's parkland reserve.

The unrestricted amount relates to the balance of the Village's net position. This balance does not include the Village's reserves, which are classified as restricted.

B. Changes in Net Position

The results of operations, as a whole, are reported in the Statement of Activities in a programmatic format. A summary of this statement for the years ended 2026 and 2025, is as follows:

	2026	2025	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	$ 206,202	$ 241,371	$ (35,169)	(14.57)%
Capital Grants	204,785	147,681	57,104	38.67 %
General Revenues				
Property Taxes	1,400,364	1,283,494	116,870	9.11 %
State Sources	165,105	57,008	108,097	189.62 %
Other	453,020	634,346	(181,326)	(28.58)%
Total Revenues	2,429,476	2,363,900	65,576	2.77 %

	2026	2025	Increase (Decrease)	Percentage Change
Expenses				
General Government	$ 705,548	$ 558,901	$ 146,647	26.24 %
Public Safety	833,334	863,303	(29,969)	(3.47)%
Transportation	787,852	969,329	(181,477)	(18.72)%
Home and Community	28,675	24,374	4,301	17.65 %
Debt Service - Interest	6,685	8,780	(2,095)	(23.86)%
Total Expenses	2,362,094	2,424,687	(62,593)	(2.58)%
Change in Net Position	$ 67,382	$ (60,787)	$ 128,169	210.85 %

The Village's net position increased by $67,382 and decreased by $60,787 for the years ended 2026 and 2025, respectively.

The Village's revenues increased when compared to the prior year, primarily due to the following changes:

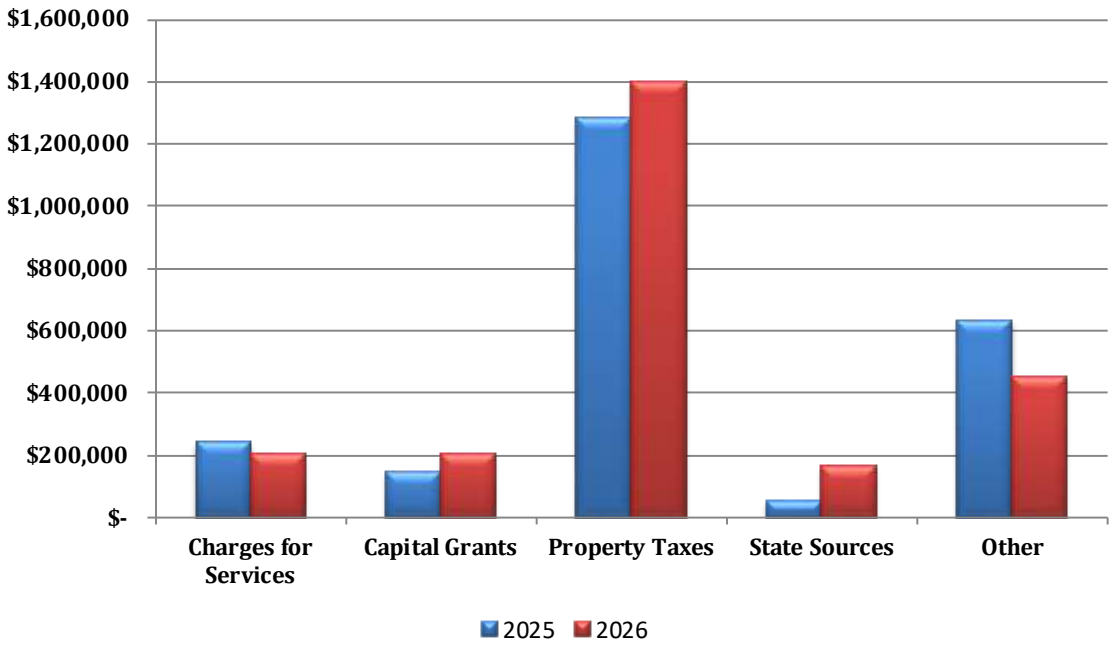
- Real property taxes were increased to fund increases in appropriations in the voter-approved 2025-2026 budget.
- State sources increased due to NYS CHIPS funding to perform more structural reconstruction in restoring the damages from the flood.
- Other revenues decreased due to a donation of $185,000 to assist with road repairs from the storm damage that occurred in August 2024.

The Village's total expenses for the year decreased when compared to the prior year, primarily due to the following changes:

- Transportation expenses decreased as a result of the storm damage causing extensive road damage. In the prior year, the Village completed road improvement projects to repair the damage.
- General government support increased due to increases in insurance and legal expenditures.

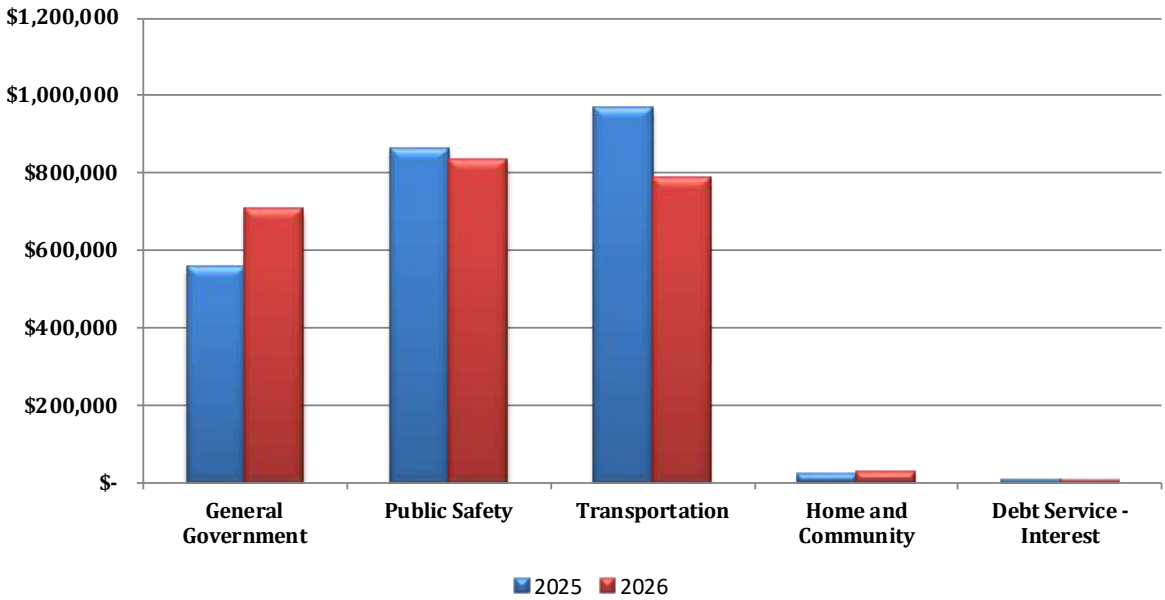
As indicated on the graphs that follow, real property taxes are the largest component of revenues recognized (i.e., 57.6% and 54.3% of the total for the years 2026 and 2025, respectively). Public safety is the largest category of expenses incurred for 2026 (35.2%) while transportation was the largest category of expenses incurred for the year 2025 (40.0%).

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



	Charges for Services	Capital Grants	Property Taxes	State Sources	Other
2025	10.2%	6.2%	54.3%	2.4%	26.9%
2026	8.5%	8.4%	57.6%	6.8%	18.7%

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



	General Government	Public Safety	Transportation	Home and Community	Debt Service - Interest
2025	23.1%	35.5%	40.0%	1.0%	0.4%
2026	29.9%	35.2%	33.4%	1.2%	0.3%

4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At February 28, 2026, the Village's governmental funds reported a combined fund balance of $1,165,795, which is an increase of $34,512 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 the components of fund balance by fund, is as follows:

	2026	2025	Increase (Decrease)	Percentage Change
General Fund				
Nonspendable: prepaids	$ 24,880	$ -	$ 24,880	N/A
Assigned:				
Appropriated fund balance	150,000	150,000	-	0.00 %
Unappropriated: Highway use	17,681	17,681	-	0.00 %
Unappropriated: Encumbrances	17,500	16,500	1,000	6.06 %
Unassigned: Fund balance	838,255	832,100	6,155	0.74 %
	1,048,316	1,016,281	32,035	3.15 %
Parkland				
Restricted: Parks and conservation	117,479	115,002	2,477	2.15 %
Total Fund Balance	$ 1,165,795	$ 1,131,283	$ 34,512	3.05 %

A. General Fund

The net change in the general fund – fund balance is an increase of $32,035, compared to a decrease of $91,378 in 2025. The increase resulted from revenues in excess of expenditures.

The following is a summary of the major changes that resulted in revenues increasing over the prior year:

	2025	2024	Increase (Decrease)	Percentage Change
Real Property Taxes	$ 1,394,027	$ 1,283,494	$ 110,533	8.61 %
Other Tax Items	3,790	6,386	(2,596)	(40.65)%
Nonproperty Taxes	178,040	185,968	(7,928)	(4.26)%
Departmental Income	11,784	29,629	(17,845)	(60.23)%
Use of Money & Property	216,034	211,409	4,625	2.19 %
Licenses and Permits	100,132	127,025	(26,893)	(21.17)%
Fines and Forfeitures	94,286	84,717	9,569	11.30 %
Sale of Property and Compensation for Loss	5,000	12,500	(7,500)	(60.00)%
Miscellaneous	47,679	211,148	(163,469)	(77.42)%
State Sources	369,890	204,689	165,201	80.71 %
Federal Sources	-	5,450	(5,450)	(100.00)%
	$ 2,420,662	$ 2,362,415	$ 58,247	2.47 %

- State sources increased from NYS CHIPS aid for structural reconstruction in restoring the damages from the flood and a one-time agreement with Suffolk County Water Authority to install water mains.

- Real property taxes increased due to an increase in the tax levy in accordance with the 2025-2026 approved budget.

- The decrease in miscellaneous is the result of the Village receiving $185,000 in donations in the prior year due to flood damage sustained at Avalon Park. There were no significant donations in the current year.

The following is a summary of the major changes that resulted in expenditures decreasing from the prior year:

	2025	2024	Increase (Decrease)	Percentage Change
General Support	$ 748,888	$ 613,942	$ 134,946	21.98 %
Public Safety	799,062	842,061	(42,999)	(5.11)%
Transportation	723,269	884,498	(161,229)	(18.23)%
Home and Community Services	23,625	18,409	5,216	28.33 %
Employee Benefits	10,807	10,130	677	6.68 %
Debt Service	82,976	84,753	(1,777)	(2.10)%
	$ 2,388,627	$ 2,453,793	$ (65,166)	(2.66)%

- Transportation expenditures decreased due to a delay in paving due to the weather.

- General government support increased due to increases in insurance and legal expenditures.

B. Parkland Fund

The net change in the parkland fund – fund balance is an increase of $2,477, which represents interest earned.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2025-2026 Budget

The Village's general fund adopted budget for the year ended February 28, 2026 was $2,330,735. This amount was increased by budget revisions of $260,000, for a final budget of $2,590,735.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was $1,400,684 in estimated property taxes.

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 assigned fund balance, appropriations to fund the subsequent year's budget, 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	$	832,100
Revenues Under Budget		(3,573)
Expenditures and Encumbrances Under Budget		184,608
Change in Nonspendable Fund Balance		(24,880)
Appropriated for the 2027 Budget		(150,000)
Closing, Unassigned Fund Balance	$	838,255

Opening, Unassigned Fund Balance

The $832,100 shown in the table is the portion of the Village's February 28, 2025 fund balance that was retained as unassigned.

Revenues Under Budget

The 2025-2026 final budget for revenues was $2,424,235. Actual revenues recognized for the year were $2,420,662. The estimated or budgeted revenues were less than actual revenues by $3,573, which contributes directly to the change to the general fund unassigned fund balance from February 28, 2025 to February 28, 2026. 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 2025-2026 final budget for expenditures was $2,590,735. Actual expenditures as of February 28, 2026 were $2,388,627 and outstanding encumbrances were $17,500. Combined, the expenditures and other financing uses plus encumbrances for 2025-2026 were $2,406,127. The final budget variance was $184,608, which contributes directly to the change to the general fund unassigned fund balance from February 28, 2025 to February 28, 2026. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Net Change in Nonspendable Fund Balance

Nonspendable fund balance consists of various prepaid insurance premiums. The resulting balance sheet asset 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 reduces unassigned fund balance.

Appropriated Fund Balance

The Village has chosen to use $150,000 of the available February 28, 2026 unassigned fund balance to partially fund the 2026-2027 approved operating budget. As such, the February 28, 2026 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the unassigned fund balance at February 28, 2026 was $838,255.

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

A. Capital Assets

At February 28, 2026, the Village had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation expense of $119,737 in excess of capital asset additions recorded for the year ended February 28, 2026. A summary of the Village's capital assets, net of accumulated depreciation at February 28, 2026 and 2025, is as follows:

	2026	2025	Increase (Decrease)
Land	$ 182,394	$ 182,394	$ -
Buildings	169,353	183,366	(14,013)
Improvements Other Than Buildings	1,622	1,793	(171)
Infrastructure	421,411	461,204	(39,793)
Equipment	132,952	198,712	(65,760)
Capital assets, net	$ 907,732	$ 1,027,469	$ (119,737)

B. Debt Administration

At February 28, 2026, the Village had total bonds payable of $150,000. The decrease in outstanding debt represents principal payments made during the year. A summary of the outstanding debt at February 28, 2026 and 2025, is as follows:

Issue Date	Interest Rate	2026	2025	Increase (Decrease)
7/17/2019	0.50 - 3.84%	$ 90,000	$ 135,000	$ (45,000)
10/5/2022	2.10 - 4.30%	60,000	90,000	(30,000)
		$ 150,000	$ 225,000	$ (75,000)

C. Other Long-Term Liabilities

Included in the Village's long-term liabilities are the estimated amounts due to NYSLRS and net pension liability – proportionate share. The due to NYSLRS' liability is based on an actuarial study and deferred amounts of pension contributions amortized for 10 years. The net pension liability – proportionate share is based on an actuarial valuation.

	2026	2025	Increase (Decrease)
Due to NYSLRS	$ 176,156	$ 190,624	$ (14,468)
Net pension liability - proportionate share	494,726	489,540	5,186
	$ 670,882	$ 680,164	$ (9,282)

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, as approved by the Board of Trustees, for the year ending February 28, 2027, is $2,458,443. This is an increase of $144,208 or 6.23% over the previous year's budget.

The Village budgeted revenues other than property taxes at a $29,520 increase over the prior year's estimate. The assigned, appropriated fund balance applied to the budget in the amount of $150,000, which remains the same as the previous year. A property tax increase of $114,688 (8.19%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

B. Future Budgets

Factors to consider that could influence future budgets:

- Uncertainty with state aid complicates long-range planning.
- Rise in employee cost centers of employee salaries and health benefits, as well as contributions to pension programs.
- Changing circumstances of unforeseen events and risks including natural disasters and global pandemics.
- Impact of external factors such as market trends, economic conditions, and regulatory changes.
- The combination of high inflation and high-interest rates can impact all lines of the budget.
- Social and demographic changes with population, age distribution, and personal income have significant and lasting effects.
- Legal and intergovernmental factors constraining tax increases, forbidding particular revenue sources, and mandating some services.

C. Tax Cap

New York State law limits the increase in the property tax levy of Villages to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. Villages may override the tax levy limit by first passing a local law that allows for the tax levy to be exceeded. The override vote requires a 60% total vote of the total voting power of the governing board. Based on the law, the Village's tax levy cap for 2026-2027 is 2.4%. The Village's 2026-2027 property tax increase of 8.19% was more than the tax cap and was approved by the Board of Trustees by the adoption of a local law that authorized a tax levy overriding the tax levy cap.

CONTACTING THE VILLAGE

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

Mayor Michael D. Utevsky
Incorporated Village of Head of the Harbor
500 North Country Road
St. James, New York 11780

INCORPORATED VILLAGE OF HEAD OF THE HARBOR
Statement of Net Position
February 28, 2026

ASSETS	
Cash and cash equivalents	
Unrestricted	$ 917,606
Restricted	117,479
Receivables	
Accounts receivable	50,226
Taxes receivable	30,069
Due from other governments	181,397
Lease receivable	5,317,105
Prepaid Expenses	24,880
Capital assets:	
Not being depreciated	182,394
Being depreciated, net of accumulated depreciation	725,338
Total Assets	7,546,494
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	478,405
LIABILITIES	
Payables	
Accounts payable	41,454
Accrued liabilities	27,785
Other liabilities	36,924
Long-term liabilities	
Due within one year	
Bonds payable	75,000
Due to NYSLRS	14,107
Due after one year	
Bonds payable	75,000
Due to NYSLRS	162,049
Net pension liability - proportionate share	494,726
Total Liabilities	927,045
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	22,583
Deferred leases	5,317,105
Pensions	61,172
Total Deferred Inflows of Resources	5,400,860
NET POSITION	
Net investment in capital assets	757,732
Restricted: Parks and conservation	117,479
Unrestricted	821,783
Total Net Position	$ 1,696,994

INCORPORATED VILLAGE OF HEAD OF THE HARBOR
Statement of Activities
For the Year Ended February 28, 2026

	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General government	$ 705,548	$ 106,370	$	$ (599,178)
Public safety	833,334	99,832		(733,502)
Transportation	787,852		204,785	(583,067)
Home and community	28,675			(28,675)
Debt service - interest	6,685			(6,685)
Total Functions and Programs	$ 2,362,094	$ 206,202	$ 204,785	(1,951,107)
GENERAL REVENUES				
Real property taxes				1,400,364
Other tax items				3,790
Nonproperty taxes				178,040
Use of money and property				218,511
Sale of property and compensation for loss				5,000
Miscellaneous				47,679
State sources				165,105
Total General Revenues				2,018,489
Change in Net Position				67,382
Total Net Position - Beginning of Year				1,629,612
Total Net Position - End of Year				$ 1,696,994

INCORPORATED VILLAGE OF HEAD OF THE HARBOR
Balance Sheet - Governmental Funds
February 28, 2026

	General	Parkland	Total Governmental Funds
ASSETS			
Cash and cash equivalents			
Unrestricted	$ 917,606	$	$ 917,606
Restricted		117,479	117,479
Receivables			
Accounts receivable	50,226		50,226
Taxes receivable	30,069		30,069
Due from other governments	181,397		181,397
Lease receivable	5,317,105		5,317,105
Prepaid expenses	24,880		24,880
Total Assets	$ 6,521,283	$ 117,479	$ 6,638,762
LIABILITIES			
Payables			
Accounts payable	$ 41,454	$	$ 41,454
Accrued liabilities	24,832		24,832
Other liabilities	36,924		36,924
Total Liabilities	103,210	-	103,210
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	52,652		52,652
Deferred leases	5,317,105		5,317,105
Total Deferred Inflows of Resources	5,369,757	-	5,369,757
FUND BALANCES			
Nonspendable: Prepaids	24,880		24,880
Restricted: Parks and conservation		117,479	117,479
Assigned:			
Appropriated fund balance	150,000		150,000
Unappropriated: Highway use	17,681		17,681
Unappropriated fund balance	17,500		17,500
Unassigned: Fund balance	838,255		838,255
Total Fund Balances	1,048,316	117,479	1,165,795
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,521,283	$ 117,479	$ 6,638,762

INCORPORATED VILLAGE OF HEAD OF THE HARBOR
Reconciliation of the Governmental Funds Balance Sheet
to the Government-wide Statement of Net Position
February 28, 2026

Total Governmental Fund Balances		$ 1,165,795
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The costs of building and acquiring capital assets 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 Village as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$ 2,155,805	
Less: Accumulated depreciation	(1,248,073)	
		907,732
Proportionate share of long-term liabilities, as well as deferred outflows and inflows 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	478,405	
Net pension liability - police and fire retirement system	(310,340)	
Net pension liability - employees' retirement system	(184,386)	
Deferred inflows of resources	(61,172)	
		(77,493)
Some of the Village'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.		30,069
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:		
Accrued interest on bonds payable	(2,953)	
Bonds payable	(150,000)	
Due to NYSLRS	(176,156)	
		(329,109)
Total Net Position		$ 1,696,994

INCORPORATED VILLAGE OF HEAD OF THE HARBOR
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
For the Year Ended February 28, 2026

	General	Parkland	Total Governmental Funds
REVENUES			
Real property taxes	$ 1,394,027	$	$ 1,394,027
Other tax items	3,790		3,790
Nonproperty taxes	178,040		178,040
Departmental income	11,784		11,784
Use of money and property	216,034	2,477	218,511
Licenses and permits	100,132		100,132
Fines and forfeitures	94,286		94,286
Sale of property and compensation for loss	5,000		5,000
Miscellaneous	47,679		47,679
State sources	369,890		369,890
Total Revenues	2,420,662	2,477	2,423,139
EXPENDITURES			
General government support	748,888		748,888
Public safety	799,062		799,062
Transportation	723,269		723,269
Home and community services	23,625		23,625
Employee benefits	10,807		10,807
Debt service			
Principal	75,000		75,000
Interest	7,976		7,976
Total Expenditures	2,388,627	-	2,388,627
Net Change in Fund Balances	32,035	2,477	34,512
Fund Balance - Beginning of Year	1,016,281	115,002	1,131,283
Fund Balance - End of Year	$ 1,048,316	$ 117,479	$ 1,165,795

INCORPORATED VILLAGE OF HEAD OF THE HARBOR
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statement of Activities
For the Year Ended February 28, 2026

Net Change in Fund Balances		$ 34,512
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).		6,337
Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.		
Decrease in due to NYSLRS		14,468
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 expense exceeded capital outlays and other additions in the period.		
Capital outlays and other additions	-	
Depreciation expense	(119,737)	
		(119,737)
Long-Term Debt Transactions Differences		
Repayment of long-term debt principal 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.		
Bond payable	75,000	
Interest on 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 February 28, 2025 to February 28, 2026.	1,291	
		76,291
Pension Differences		
The change in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.		
Police and fire retirement system	20,535	
Employees' retirement system	34,976	
		55,511
Change in Net Position of Governmental Activities		$ 67,382

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Village of Head of the Harbor ("the Village") 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 Village, are as follows:

D. Financial Reporting Entity

The Village is governed by Village law and other general laws of the State of New York. The Village is an independent entity governed by an elected Board of Trustees ("the Board") consisting of five members. The Mayor serves as the chief executive officer and the Treasurer is the chief fiscal officer.

The basic services the Village provides are general support, public safety (police and fire protection), transportation (street maintenance), and home and community service.

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

The reporting entity consists of the primary government, the Village, as well as other organization entities determined to be includable in the Village's financial reporting entity, based on the nature and significance of their relationship with the Village. The financial reporting entity is based on criteria set forth by GASB Statements. These criteria include legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities that would be included in the Village's reporting entity.

E. 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 Village. Eliminations have been made to exclude the double counting of interfund transactions. Governmental activities are generally financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the Village at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Village's funds. The Village's financial statements present the following fund type:

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 Village'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 that are legally restricted to expenditures for specified purposes.

Parkland Fund – the parkland fund is used to account for special assessments from subdivisions that are specifically restricted for the improvement and conservation of parklands within the Village.

F. 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 Village would not expect to liquidate currently with expendable available financial resources (e.g., liabilities to the New York State & Local Retirement System for retroactive membership) 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. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, state aid, 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 state aid is recognized in the fiscal year it is apportioned by the state. 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 Village considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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.

G. Real Property Taxes

Real property taxes are levied annually by the Board no later than February 1st and become a lien on March 1st. The Village collects its own taxes. Taxes are collected during the month of March without penalty. A 5% penalty is assessed on taxes paid after April 1, and an additional 1% is assessed each month on taxes paid after April. Unpaid Village taxes are collected through tax sales.

H. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, the Village'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.

I. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 revenue availability, pension costs, potential contingent liabilities, and useful lives of capital assets.

J. Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand, bank deposits, and investments with an original maturity date of 90 days or less from date of acquisition.

Investments, if any, are recorded at fair value, based on the quoted market prices.

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

K. Receivables

Receivables are recorded when the transaction takes place, and the respective revenues are recognized as earned in the government-wide financial statements, and when available in the fund financial statements. 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.

L. Lease Receivable

The Village leases property it owns for the use of cellular antenna equipment to a third party. A lease receivable is measured and recorded at the present value of lease payments expected to be received by the Village during the lease term using an implicit discount rate, net of any provision for estimated uncollectible amounts. As lease payments are received from the lessee, they are first allocated to the amortization of the discount on the lease receivable and recognized as interest revenue, and then to lease receivable.

M. Prepaid Items

Prepaid items represent payments made by the district for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the Balance sheet using the consumption method. Under the consumption method, a current asset for the prepaid items is recorded at the time of receipt and/or purchase and an expenditure is reported in the year the goods or services are consumed.

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

N. 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.

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:

	Capitalization Threshold	Estimated Useful Life
Land	$ 1,000	N/A
Buildings and improvements	1,000	15 - 40 years
Infrastructure	1,000	20 years
Furniture and equipment	1,000	5 - 20 years

O. 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 balance is related to pensions and consists of the Village's proportionate share of changes in the collective net pension liability not included in collective pension expense and contributions to the pension plans subsequent to the measurement date.

P. Other Benefits

Eligible Village employees participate in the New York State and Local Employees' Retirement System (ERS) or the New York State and Local Police and Fire Retirement System (PFRS), collectively known as NYSLRS.

Village employees may choose to participate in the Village's elective deferred compensation plans established under Internal Revenue Code §457.

The Village provides individual or family health insurance coverage for active employees pursuant to the Village's employee policy.

Q. Long-Term Debt

The Village borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The repayment of principal and interest will be in the general fund.

R. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net assets that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The Village has three items that qualify for reporting in this category. First is property taxes and assessments received before the period for which they are levied or assessed. They are recognized as revenue in the year for which they are levied or assessed, which will be the subsequent year. The second item is related to long-term leases receivable for properties that the Village leases to third parties. Revenues will be recognized systematically over the terms of the lease agreements. The third item is related to pensions reported in the government-wide Statement of Net Position and consists of the Village's proportionate share of changes in the collective net pension asset or liability not included in collective pension 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 acquisitions, construction, and improvements of those assets, net of any unexpended proceeds.

Restricted – Reports net position when constraints placed on the assets or deferred outflows of resources 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 prepaids, which are 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 Village has established the following restricted fund balances:

Reserve for Parks and Conservation

Represents fees received from landowners that have received approval for land subdivision and future development. These fees will be used for future parks and conservation projects.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village's Board of Trustees. 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, encumbrances not classified as restricted at the end of the fiscal year, and amounts reserved for highway use.

Unassigned – Represents the residual classification for the Village's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from 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 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.

The Board shall delegate the authority to assign fund balance.

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

2. FUTURE ACCOUNTING STANDARDS

The GASB Statements are issued to set GAAP for state and local governments. The following is not an all-inclusive list of GASB statements issued, but statements that the Village feels may have a future impact on these financial statements. The Village will evaluate the impact of these pronouncements and implement them, as applicable, if material.

Effective for the Year Ending	**Statement**
February 28, 2027	GASB No. 103 – *Financial Reporting Model Improvements*
February 28, 2027	GASB No. 104 – *Disclosure of Certain Capital Assets*
February 29, 2028	GASB No. 105 – *Subsequent Events*

GASB Statement No. 103 was issued to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

GASB Statement No. 104 requires certain types of capital assets to be disclosed separately in the capital assets note disclosure, such as leased assets, intangible right-to-use assets, and assets held for sale.

GASB Statement No. 105 was issued to improve financial reporting related to subsequent events by clarifying the subsequent events time frame and the subsequent events that constitute recognized and nonrecognized events, and by specifying the information items that are required to be disclosed about subsequent events.

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 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 Village'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 fund Balance Sheet, as applied to the reporting of capital assets, and deferred outflows of resources, and long-term assets and liabilities, and deferred inflows of resources.

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 the amount due to the NYSLRS for retroactive membership.

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 acquisition 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 payments 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 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 Village's proportionate share of the collective pension expense of the plan.

4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

The Village's administration prepares a proposed budget for approval by the Board for general fund. The budget is adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations are established by adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board, as a result of selected new revenue sources not included in the original budget and appropriations of fund balance. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists that was not determined at the time the budget was adopted. During the year ended February 28, 2026, the general fund's adopted budget was changed by the following:

Original budget	$ 2,330,735
Changes in appropriation budget line items:	
Board of Trustees	(650)
Treasurer	7,350
Clerk	(8,000)
Attorney	59,000
Engineer	(5,400)
Village Election	100
Building (Village Hall)	2,320
Unallocated Insurance	15,500
Municipal Association Dues	302
Judgments & Claims	30
Contingent	(67,247)
Police	(23,350)
Safety Inspections	(10,355)
Street Maintenance	(27,250)
Permanent Improvements	260,000
Snow Removal	54,900
Planning Board	250
Conservation	500
Unemployment Insurance	2,000
	$ 2,590,735

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as 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 this time, as the liability is incurred or the commitment is paid.

C. Over Expenditure of Appropriation

The contingent expenditures general fund appropriation was over expended. These were in the following appropriation categories of the budget: general support and home and community. The general fund budget in total was not over expended.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Village's investment policies are governed by state statutes and Village 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 municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the Village may be unable 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 Village's name.

The Village's aggregate bank balances were covered by FDIC insurance or fully collateralized by a letter of credit pledged on the Village's behalf at year end.

Investment Pool:

The Village participates in the New York Cooperative Liquid Assets Securities System (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to GML Articles 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. NYCLASS is rated AAAm by S&P Global Ratings. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS portfolio holdings are collateralized in accordance with GML §10.

The Village's investments in NYCLASS consisted of repurchase agreements, U.S. Treasury Securities, and collateralized bank deposits, with various interest rates and due dates. The dollar weighted average days to maturity (WAM) of NYCLASS at February 28, 2026, was 52 days and the weighted average life (WAL) was 83 days. These investments are included in the General Fund in the amount of $277,277.

Securities, other than repurchase agreements, are valued at the most recent market bid price as obtained from one or more market makers for such securities. Repurchase agreements are recorded at cost, which approximates fair value. The lead participant of NYCLASS is the Village of Rhinebeck. Additional information concerning NYCLASS, including the annual report, can be found on its website at www.newyorkclass.org.

6. CAPITAL ASSETS

A. Changes

Capital assets balances and activity for the year ended February 28, 2026, were as follows:

	Balance 2/28/2025	Additions	Reductions	Balance 2/28/2026
Governmental activities				
Capital assets not being depreciated:				
Land	$ 182,394	$	$	$ 182,394
Capital assets being depreciated:				
Buildings	503,912			503,912
Improvements Other Than Buildings	123,096			123,096
Infrastructure	795,866			795,866
Equipment	550,537			550,537
Total capital assets being depreciated	1,973,411	-	-	1,973,411
Less accumulated depreciation for:				
Buildings	320,546	14,013		334,559
Improvements Other Than Buildings	121,303	171		121,474
Infrastructure	334,662	39,793		374,455
Equipment	351,825	65,760		417,585
Total accumulated depreciation	1,128,336	119,737	-	1,248,073
Total capital assets, being depreciated, net	845,075	(119,737)	-	725,338
Capital assets, net	$ 1,027,469	$ (119,737)	$ -	$ 907,732

Depreciation expense was charged to governmental functions, as follows:

General government	$ 39,576
Public safety	47,647
Transportation	30,177
Home and community	2,337
Total depreciation expense	$ 119,737

B. Impairment Losses

The Village evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Village's policy is to record an impairment loss in the period when the Village determines that the carrying amount of the asset will not be recoverable. At February 28, 2026, the Village has not recorded any such impairment losses.

7. ACCOUNTS RECEIVABLE

Accounts receivable at February 28, 2026 consisted of:

Franchise fees	$	5,500
Cell tower collections		25,438
Gross utilities fees		6,288
NYS Insurance fund		13,000
	$	50,226

Village management expects these amounts to be fully collectible.

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at February 28, 2026 consisted of:

General Fund		
Suffolk County mortgage tax	$	25,000
Village justice court		1,300
New York State Department of Transportation		155,097
	$	181,397

Village management expects these amounts to be fully collectible.

9. LEASE RECEIVABLE

The Village entered into a site lease agreement that allows a third party to utilize Village property for cellular antenna equipment. Under the agreements, the Village receives installments in each year covered by the agreement. Under the agreement, the Village receives monthly payments representing fifty (50%) percent of the total gross rents the lessee has received from all subtenants at the leased space. The agreement automatically renews for up to five additional terms of five years unless the lessee notifies the Village of its intention not to renew prior to commencement of the succeeding renewal term. As of February 28, 2026, the present value of the lease receivable and the corresponding deferred inflows of resources, measured using various implicit interest rates, were $5,317,105. During the year ended February 28, 2026, the Village recognized lease revenue and lease interest in the amounts of $38,133 and $145,015, respectively. For purposes of financial presentation, lease revenue and interest are reflected in use of money and property on the statement of revenues, expenditures, and changes in fund balances – governmental funds.

10. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pension liabilities, for the year are summarized below:

	Balance 2/28/2025	Issued	Redeemed	Balance 2/28/2026	Amounts Due Within One Year
Long-Term Liabilities:					
Bonds payable	$ 225,000	$	$ (75,000)	$ 150,000	$ 75,000

The general fund has typically been used to liquidate long-term liabilities.

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at 2/28/2026
Serial bonds	7/17/2019	7/17/2027	0.50 - 3.84%	$ 90,000
Serial bonds	10/5/2022	10/5/2027	2.10 - 4.30%	60,000
				$ 150,000

The following is a summary of debt service requirements for bonds payable:

Year Ending February 28,	Principal	Interest	Total
2027	$ 75,000	$ 5,635	$ 80,635
2028	75,000	3,018	78,018
	$ 150,000	$ 8,653	$ 158,653

C. Remedies Upon Default

The bonds are general obligation contracts between the Village and the owners for which the faith and credit of the Village are pledged and remedies for enforcement of payment are not expressly included in the Village's contract with such owners. Upon default in the payment of principal of or interest on the bonds at the suit of the owner, a court has the power, in proper and appropriate proceedings, to render judgment against the Village. A court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds from funds lawfully available therefor or, in the absence thereof, to order the Village to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy.

Section 99-b of the State Finance Law provides for a covenant between New York State and the purchasers and the holders and owners from time to time of the bonds issued by villages in New York State. In the event a holder or owner of any bond issued by a village for village purposes shall file with the Office of the New York State Comptroller (OSC), a verified statement describing such bond and alleging default in the payment thereof or the interest thereon or both. The OSC shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such state aid or assistance due to such village

such amount thereof as may be required to pay the principal of and interest on such bonds of such village then in default. In the event such state aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the OSC shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such state aid or assistance due such fire district such amount or amounts thereof as may be required to cure such default.

D. Interest Expense

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

Interest paid	$	7,976
Less interest accrued in the prior year		(4,244)
Plus interest accrued in the current year		2,953
Total interest expense on long-term debt	$	6,685

11. PENSION PLANS

A. Plan Description

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

B. Provisions and Administration

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). 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 the 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 Village 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 Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

The NYSLRS are noncontributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary for the first ten years of membership. Those who joined the ERS on or after January 1, 2010 and before April 1, 2012 and the PFRS on or after January 9, 2010 contribute 3% of their salary throughout active membership. For employees who joined the ERS on or after April 1, 2012, 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. For the NYSLRS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employees' contributions for the NYSLRS' fiscal year ended March 31st, and employer contributions are either paid by December 15th less a 1% discount or by February 1st. The Village's average contribution rate was 34.10% of covered payroll for the ERS and 20.97% of covered payroll for PFRS for the Systems' fiscal year ended March 31, 2025. The Village paid 100% of the required contributions as billed by the NYSLRS for the current year.

The Village's share of the required contributions (exclusive of retroactive membership and pension stabilization payments), based on covered payroll for the Village's year ended February 28, 2026 was $99,289 for PFRS at the contribution rate of 17.45% and $100,280 for ERS at the contribution rate of 21.33%.

D. Retroactive Membership

Retroactive membership represents amounts due for employee's time and services rendered at the Village prior to the Village electing to join the ERS. An actuarial study performed by New York State and Local Employees' Retirement System calculated a deficiency due based on retroactive membership that is payable over twenty five years through 2035 with equal installments of $28,199 per year, which is included in the required contributions above. The general fund will be used to liquidate this long-term liability.

The following is a summary of payment requirements for amounts due to the ERS for retroactive membership:

Fiscal Year Ending February	Principal	Interest	Total
2027	$ 14,107	$ 14,092	$ 28,199
2028	15,235	12,964	28,199
2029	16,454	11,745	28,199
2030	17,770	10,429	28,199
2031	19,192	9,007	28,199
2031-2035	93,398	19,398	112,796
	$ 176,156	$ 77,635	$ 253,791

E. Pension Stabilization

Chapter 57 of Laws of 2010 of the State of New York allows local employers to defer and amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.

- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the NYSLRS' average rate and the previous graded rate.
- For subsequent State fiscal years in which the NYSLRS' average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the NYSLRS' fiscal years when the local employer opts to participate in the program.

F. Pension Asset/(Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At February 28, 2026, the Village reported the following asset/liability for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/liability was measured as of March 31, 2025 for each of the systems. The total pension liability used to calculate the net pension asset/liability was determined by an actuarial valuation. The Village's proportion of the net pension asset/liability was based on a projection of the Village's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the PFRS and the ERS in reports provided to the Village.

	PFRS	ERS
Measurement date	March 31, 2025	March 31, 2025
Village's proportionate share of the net pension liability	$ (310,340)	$ (184,386)
Village's portion of the Plan's pension liability	0.0051069%	0.0010754%
Change in proportion since the prior measurement date	(0.0014780)	(0.0001283)

For the year ended February 28, 2026, the Village recognized pension expense of $78,513 for PFRS and $37,960 for ERS. At February 28, 2026, the Village reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PFRS	ERS	PFRS	ERS
Differences between expected and actual experience	$ 103,370	$ 45,766	$	$ 2,159
Changes of assumptions	46,601	7,733		
Net difference between projected and actual earnings on pension plan investments	11,928	14,466		
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	56,496	9,107	45,095	13,918
Village contributions subsequent to the measurement date	91,015	91,923		
Total	$ 309,410	$ 168,995	$ 45,095	$ 16,077

Village contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending February 28, 2027. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense, as follows:

Year Ending February 28,	PFRS	ERS
2026	$ 88,169	$ 29,935
2027	52,951	46,352
2028	4,003	(16,119)
2029	20,645	827
2030	7,532	-
	$ 173,300	$ 60,995

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:

	PFRS	ERS
Measurement date	March 31, 2025	March 31, 2025
Actuarial valuation date	April 1, 2024	April 1, 2024
Inflation	2.90%	2.90%
Salary increases	6.00%	4.30%
Investment rate of return (net of investment expense, including inflation)	5.90%	5.90%
Cost of living adjustments	1.50%	1.50%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021.

The actuarial assumptions were based on the results of an actuarial experience study for the period of 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.

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

	Target Allocation	Long-term Expected Rate of Return
Measurement Date		March 31, 2025
Asset class		
Domestic equity	25.00%	3.54%
International equity	14.00%	6.57%
Real estate equity	12.00%	4.95%
Private equity	15.00%	7.25%
Alternatives investments	11.00%	5.25-5.55%
Fixed income	22.00%	2.00%
Cash	1.00%	0.25%
	100.00%	

Real rates of return are net of a long-term inflation assumption of 2.9% for each of the systems.

Discount Rate

The discount rate used to measure the total pension liability was 5.90% for each of the systems. 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 systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

PFRS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
Village's proportionate share of the net pension asset (liability)	$ (654,366)	$ (310,340)	$ (26,397)

ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
Village's proportionate share of the net pension asset (liability)	$ (533,636)	$ (184,386)	$ 107,238

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:

	PFRS	ERS
	(Dollars in Thousands)	
Measurement date	March 31, 2025	March 31, 2025
Employers' total pension liability	$ (48,718,477)	$ (247,600,239)
Plan fiduciary net position	42,641,620	230,454,512
Employers' net pension liability	$ (6,076,857)	$ (17,145,727)
Ratio of plan fiduciary net position to the employers' total pension liability	87.53%	93.08%

Payables to the Pension Plan

Employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Employee contributions are remitted monthly.

12. PENSION PLANS - OTHER

Deferred Compensation Plan:

The Village has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The Village makes no contributions into this Plan.

13. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of $150,000 has been appropriated to reduce taxes for the year ending February 28, 2027.

14. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At February 28, 2026 the Village encumbered $17,500 of assigned fund balance in the general fund for auditor contractual fees.

B. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets: injuries to employees; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased 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.

C. Litigation

The Village is not aware of any material pending or threatened litigation claims against the Village. The Village is also unaware of any unasserted claims or assessments that would require financial statement disclosure.

D. Grants

The Village has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the Village's administration believes disallowances, if any, would be immaterial.

E. Certiorari Proceedings

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through February 28, 2026, which could affect future operating budgets of the Village.

15. SUBSEQUENT EVENTS

The Village 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.

INCORPORATED VILLAGE OF HEAD OF THE HARBOR
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended February 28, 2026

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	$ 1,400,684	$ 1,400,684	$ 1,394,027	$ (6,657)
Other Tax Items				
Interest and penalties on real property taxes	6,000	6,000	3,790	(2,210)
Nonproperty Tax Items				
Nonproperty tax distribution by county	133,501	133,501	133,501	-
Franchise fees	33,000	33,000	33,114	114
Utilities gross receipts tax	7,250	7,250	11,425	4,175
Total Nonproperty Tax Items	173,751	173,751	178,040	4,289
Departmental Income				
Clerk fees	100	100	14	(86)
Police grants and fees			70	70
Zoning board fees	1,000	1,000	8,800	7,800
Planning board fees	2,500	2,500	2,900	400
Total Departmental Income	3,600	3,600	11,784	8,184
Use of Money and property				
Interest and earnings	35,000	35,000	177,901	142,901
Rental of real property			38,133	38,133
	35,000	35,000	216,034	181,034
Licenses and Permits				
Building permits	120,000	120,000	99,832	(20,168)
Cell tower	160,300	160,300	300	(160,000)
Total Licenses and Permits	280,300	280,300	100,132	(180,168)
Fines and forfeitures				
Fines and forfeited bail	90,000	90,000	94,286	4,286
Sale of Property and Compensation for Loss				
Sale of equipment			5,000	5,000
Miscellaneous				
Gifts and donations	30,000	30,000	40,000	10,000
Employee Healthcare Contributions			4,734	4,734
Miscellaneous	7,400	7,400	2,945	(4,455)
Total Miscellaneous	37,400	37,400	47,679	10,279
State Aid				
Revenue sharing	4,000	4,000	7,173	3,173
Mortgage tax	42,000	132,000	157,643	25,643
Justice court assistance programs	1,500	1,500	289	(1,211)
Consolidated highway aid - "CHIPS"	90,000	260,000	204,785	(55,215)
Total State Aid	137,500	397,500	369,890	(27,610)
Total Revenues	2,164,235	2,424,235	2,420,662	$ (3,573)
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	150,000	150,000		
Prior Year's Encumbrances	16,500	16,500		
Total Appropriated Fund Balance	166,500	166,500		
Total Revenues and Appropriated Fund Balance	$ 2,330,735	$ 2,590,735		

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.

INCORPORATED VILLAGE OF HEAD OF THE HARBOR
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended February 28, 2026

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual and Encumbrances
EXPENDITURES					
General Government Support					
Board of Trustees					
Contractual	$ 2,000	$ 1,350	$ 514	$	$ 836
Village Justice Court					
Personal services	33,206	33,206	25,775		7,431
Equipment	2,500	2,500	2,489		11
Contractual	3,500	3,500	-		3,500
Benefits	2,540	2,540	1,972		568
Auditor					
Contractual	33,000	33,000	16,500	17,500	(1,000)
Treasurer					
Personal services	71,135	73,285	73,275		10
Contractual	18,450	23,650	22,779		871
Benefits	5,441	5,441	5,178		263
Clerk					
Personal services	99,564	99,564	97,829		1,735
Equipment	25,180	23,580	19,268		4,312
Benefits	124,697	118,297	118,017		280
Attorney					
Contractual	56,000	115,000	122,526		(7,526)
Engineer					
Contractual	17,500	12,100	10,730		1,370
Village Election					
Contractual	2,000	2,100	2,087		13
Building (Village Hall)					
Equipment	1,000	1,000	146		854
Contractual	79,450	81,770	68,992		12,778
Unallocated Insurance	158,500	174,000	139,366		34,634
Municipal Association Dues	2,500	2,802	2,752		50
Judgments & Claims	20,000	20,030	16,673		3,357
Other General Support	5,500	5,500	2,020		3,480
Contingent	67,248	1	-		1
Total General Government Support	830,911	834,216	748,888	17,500	67,828
Public Safety					
Police					
Personal services	567,228	569,028	568,981		47
Equipment	3,400	5,050	5,020		30
Contractual	42,375	29,975	25,180		4,795
Benefits	163,193	148,793	142,775		6,018
Safety Inspections					
Personal services	60,238	48,233	46,455		1,778
Equipment	5,550	7,200	7,193		7
Benefits	3,461	3,461	3,458		3
Total Public Safety	845,445	811,740	799,062	-	12,678
Transportation					
Street Maintenance					
Personal services	224,028	222,328	217,273		5,055
Equipment	5,000	-	-		-
Street Hydrants		250	250		-
Contractual	89,500	78,200	74,385		3,815
Benefits	52,914	43,414	43,332		82
Permanent Improvements (CHIPS)					
Contractual	90,000	350,000	271,191		78,809
Snow Removal					
Contractual	74,000	128,900	116,838		12,062
Total Transportation	535,442	823,092	723,269	-	99,823

INCORPORATED VILLAGE OF HEAD OF THE HARBOR
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended February 28, 2026

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual and Encumbrances
EXPENDITURES (Continued)					
Home & Community					
Zoning Board of Appeals					
Personal services	$ 7,028	$ 7,028	$ 7,023	$	$ 5
Contractual	1,000	1,000	119		881
Benefits	538	538	537		1
Planning Board					
Personal services	7,028	7,028	7,023		5
Contractual	1,000	1,250	1,017		233
Benefits	538	538	537		1
ARB					
Personal services	2,674	3,124	3,085		39
Contractual	1,000	550	95		455
Benefits	205	205	235		(30)
Community Beautification					
Contractual	1,250	1,250	-		1,250
Conservation					
Contractual	200	700	-		700
Coastal Management					
Contractual	4,500	4,500	3,954		546
Total Home & Community	26,961	27,711	23,625	-	4,086
Employee Benefits					
Unemployment insurance	9,000	11,000	10,807		193
Debt Service					
Principal	75,000	75,000	75,000		-
Interest	7,976	7,976	7,976		-
Total Debt Service	82,976	82,976	82,976	-	-
Total Expenditures	$ 2,330,735	$ 2,590,735	2,388,627	$ 17,500	$ 184,608
Net Change in Fund Balance			32,035		
Fund Balance - Beginning of Year			1,016,281		
Fund Balance - End of Year			$ 1,048,316		

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.

INCORPORATED VILLAGE OF HEAD OF THE HARBOR
Schedule of the Village's Proportionate Share of the Net Pension Asset/(Liability)
Last Eight Fiscal Years

Police and Fire Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019
Village's proportion of the net pension liability	0.0051069%	0.0065849%	0.0069991%	0.0069675%	0.0062510%	0.0092407%	0.0053638%	0.0049367%
Village's proportionate share of the net pension liability	$ (310,340)	$ (312,310)	$ (385,684)	$ (120,976)	$ (334,110)	$ (154,972)	$ (54,215)	$ (102,321)
Village's covered payroll	$ 568,981	$ 361,764	$ 321,124	$ 309,051	$ 295,174	$ 254,072	$ 268,234	$ 230,981
Village's proportionate share of the net pension liability as a percentage of its covered payroll	54.54%	86.33%	120.10%	39.14%	113.19%	61.00%	20.21%	44.30%
Plan fiduciary net position as a percentage of the total pension liability	87.53%	89.72%	87.43%	95.79%	84.86%	95.09%	96.93%	93.46%
Discount rate	5.90%	5.90%	5.90%	5.90%	6.80%	7.10%	7.10%	7.25%

Employees' Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019
Village's proportion of the net pension liability	0.0010754%	0.0012037%	0.0012088%	0.0012032%	0.0011928%	0.0012084%	0.0011053%	0.0011290%
Village's proportionate share of the net pension asset/(liability)	$ (184,386)	$ (177,230)	$ 259,212	$ (1,198)	$ (315,867)	$ (85,621)	$ (35,673)	$ (106,088)
Village's covered payroll	$ 470,049	$ 416,109	$ 389,309	$ 392,902	$ 391,417	$ 359,079	$ 316,519	$ 309,617
Village's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	39.23%	42.59%	66.58%	0.30%	80.70%	23.84%	11.27%	34.26%
Plan fiduciary net position as a percentage of the total pension liability	93.08%	93.88%	90.78%	99.95%	86.39%	96.27%	98.24%	94.70%
Discount rate	5.90%	5.90%	5.90%	5.90%	6.80%	7.10%	7.10%	7.25%

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.

INCORPORATED VILLAGE OF HEAD OF THE HARBOR
Schedule of Village Pension Contributions
Last Ten Fiscal Years

Police and Fire Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 99,289	$ 101,621	$ 105,758	$ 91,350	$ 86,240	$ 70,827	$ 62,338	$ 66,170	$ 61,372	$ 48,046
Contributions in relation to the contractually required contribution	99,289	101,621	105,758	91,350	86,240	70,827	62,338	66,170	61,372	48,046
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Village's covered payroll	$ 291,128	$ 318,566	$ 361,764	$ 321,124	$ 309,051	$ 295,174	$ 254,072	$ 268,234	$ 230,981	$ 177,828
Contributions as a percentage of covered payroll	34%	32%	29%	28%	28%	24%	25%	25%	27%	27%

Employees' Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 100,280	$ 87,732	$ 80,793	$ 84,473	$ 88,255	$ 82,589	$ 77,713	$ 74,360	$ 80,886	$ 86,296
Contributions in relation to the contractually required contribution	100,280	87,732	80,793	84,473	88,255	82,589	77,713	74,360	80,886	86,296
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Village's covered payroll	$ 478,216	$ 451,039	$ 416,109	$ 389,309	$ 392,902	$ 391,417	$ 359,079	$ 316,519	$ 309,617	$ 321,139
Contributions as a percentage of covered payroll	21%	19%	19%	22%	22%	21%	22%	23%	26%	27%