

**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
AUDIT REPORT
FOR THE YEAR ENDED
MAY 31, 2018**

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK

MAY 31, 2018

TABLE OF CONTENTS

<u>SCHEDULE NUMBER</u>		<u>PAGE</u>
	Independent Auditor's Report	1 – 3
	Management's Discussion and Analysis	4 – 16
	Basic Financial Statements	
1	Statement of Net Position	17
2	Statement of Activities	18
3	Balance Sheet - Governmental Funds	19
4	Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	20
5	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
6	Reconciliation of Governmental Funds - Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	22
7	Statement of Fiduciary Net Position	23
	Notes to Financial Statements	24 – 64
	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65 – 66
	Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	67 - 68
	Schedule of Findings and Questioned Costs	69 - 71
	Required Supplemental Information	
8	Schedule of Revenues and Expenditures Compared to Budget - General Fund	72
9	Schedule of Revenues and Expenditures Compared to Budget - Water Fund	73
10	Schedule of Revenues and Expenditures Compared to Budget - Sewer Fund	74
11	Schedule of Funding Progress for Other Postemployment Benefits	75
12	Schedule of the Local Government's Proportionate Share of the Net Pension Liability	76
13	Schedule of Local Government Contributions	77
14	Schedule of Changes in Village's Total LOSAP Liability	78

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MAY 31, 2018
TABLE OF CONTENTS

	Other Supplementary Information	
15	Statement of Indebtedness	79
16	Net Investment in Capital Assets	80
17	Schedule of Capital Projects	81
	Report on Federal Awards	
	Schedule of Expenditures of Federal Awards	82
	Notes to the Schedule of Expenditures of Federal Awards	83



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members
of the Village Board
Village of Highland Falls
Highland Falls, New York 10928

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund information of the Village of Highland Falls, as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA
Patrick M. Bullis, CPA
Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund information of the Village of Highland Falls, as of May 31, 2018, 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.

Emphasis of Matter

As Discussed in Note 3 to the financial statements, management has adopted Governmental Accounting Standards Board Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Our Opinion is not modified with respect to that matter.

Other Matters*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 4 through 16 and 72 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Highland Falls' basic financial statements. The other supplementary information on pages 79 through 81 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental schedules on pages 79 through 81, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules on pages 79 through 81 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2019 on our consideration of the Village of Highland Falls' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Highland Falls' internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Village of Highland Falls' internal control over financial reporting and compliance.

Mugent & Hausler, P.C.

Montgomery, New York
April 16, 2019

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2018

The following is a discussion and analysis of the Village of Highland Falls' financial performance for the year ended May 31, 2018. The Village of Highland Falls discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Village's financial activity, (c) identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

This section is a summary of the Village's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Village's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Village of Highland Falls exceeded its liabilities at the close of the fiscal years 2018 and 2017 by \$3,511,708 and \$3,462,545(as restated) (net position) respectively. The net position at May 31, 2018 reflects an increase of \$49,163.
- Revenue, as reflected in the governmental funds statement, increased by \$418,991. This increase is primarily attributable to the increase in State and Federal Aid.
- As of the close of the current fiscal year, the Village of Highland Falls' governmental funds reported combined ending fund balances of \$2,659,826 an increase of \$488,242 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$705,451 at 14.39% of the total general fund expenditures.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are *government-wide* financial statements that provide both short-term and long-term information about the Village's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide statements. The fund financial statements concentrate on the Village's most significant funds.
- The *government fund statements* tell how basic services such as water and sewer were financed in the short term as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the Village acts solely as a trustee or agent for the benefit of others.

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

Figure A-1 summarizes the major features of the Village's financial statements, including the portion of the Village's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2018

Figure A-1

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Government (except fiduciary funds)	The activities of the Village that are not proprietary or fiduciary, such as general support, police protection, building code enforcement, planning and zoning, and various other services	Instances in which the Village administrators resources on behalf of someone else, such as bid deposits, engineering fees, and street opening deposits.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All asset, deferred outflows of resources, liabilities and deferred inflows of resources both financial and capital, short-term and long-term	Generally assets, and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources(if any), liabilities and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or	All additions and deductions during the year, regardless of when cash is received or paid

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2018

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village's net position and how it has changed. Net position, the difference between the Village's assets and liabilities, is one way to measure the Village's financial health or position.

- Over time, increases or decreases in the Village's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Village's overall health, you need to consider additional non-financial factors such as changes in the Village's property tax base and the condition of facilities and infrastructures.

In the government-wide financial statements, the Village's activities are shown as governmental activities. Most of the Village's basic services are included here, such as water and sewer services (home and community services), road maintenance (transportation), and administration (general governmental support). Property taxes and charges for services finance most of these activities.

FUND FINANCIAL STATEMENTS

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

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

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2018

The Village has two kinds of funds:

- **Governmental Funds:** Most of the Village's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciling statements (Statement 4 and Statement 6) have been added to explain the relationship (or differences) between them.
- **Fiduciary Funds-Agency Funds:** The Village acts in an agency capacity for assets that are ultimately transferred to others, such as payroll withholdings. The Village excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's net position at the fiscal year end is \$3,511,708. This is a \$49,163 increase from last year's net position, as restated, of \$3,465,545. The following table provides a summary of the Village's net position:

Condensed Statement of Net Position	2018	2017 As Restated	Total Dollar Change
Current Assets	\$ 3,269,126	\$ 3,137,342	\$ 131,784
Non-Current Assets	12,093,581	12,200,523	(106,942)
Total Assets	15,362,707	15,337,865	24,842
Deferred Outflows	882,491	724,218	158,273
Current Liabilities	678,130	1,038,421	(360,291)
Non-Current Liabilities	11,009,434	11,276,571	(267,137)
Total Liabilities	11,687,564	12,314,992	(627,428)
Deferred Inflows	1,045,926	284,546	761,380
Net Investment in Capital Assets	6,989,740	6,462,310	527,430
Restricted	1,637,992	1,377,446	260,546
Unrestricted	(5,116,024)	(4,377,211)	(738,813)
Total Net Position	\$ 3,511,708	\$ 3,462,545	\$ 49,163

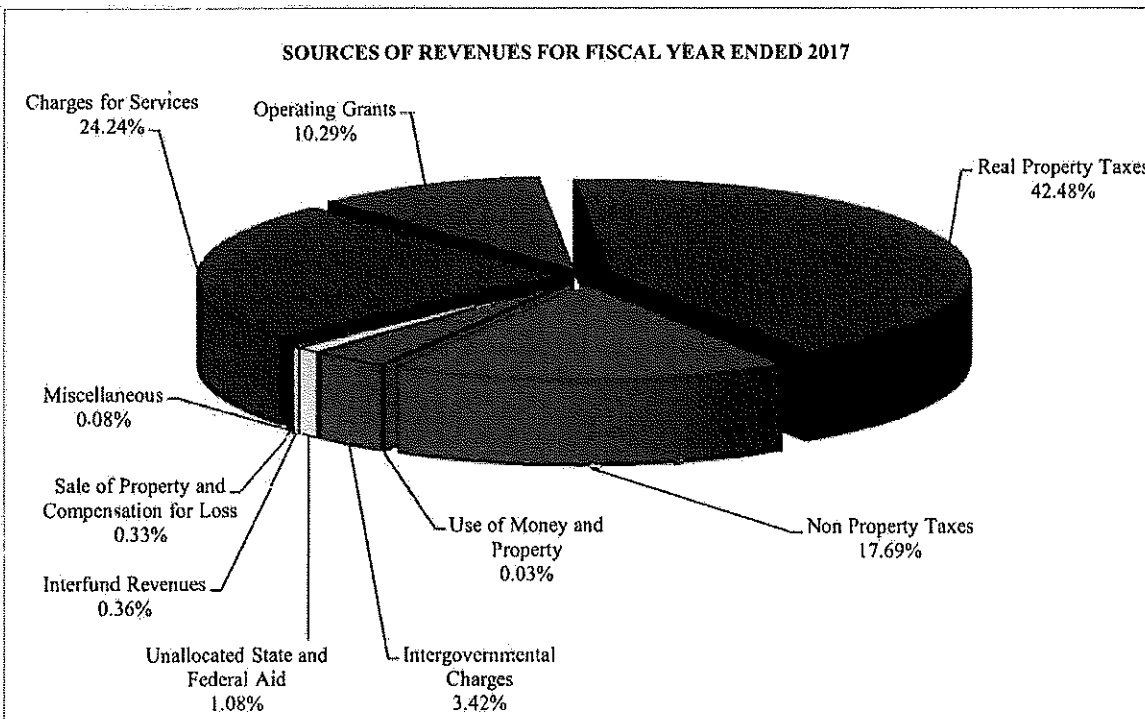
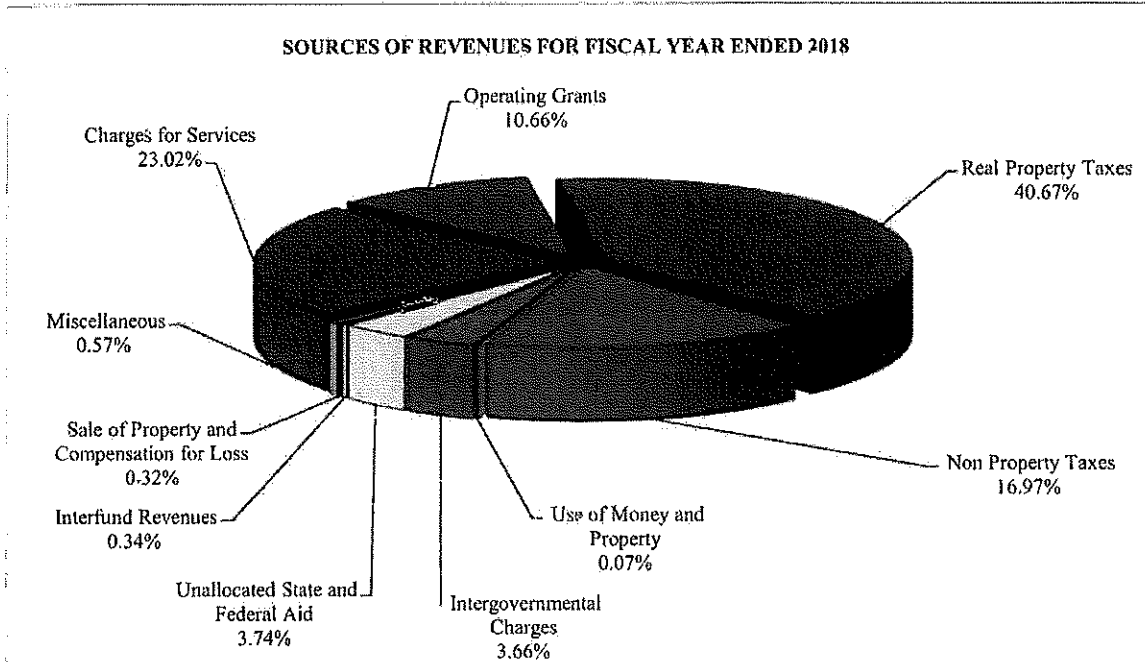
**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
STATEMENT OF ACTIVITIES
SUMMARY OF CHANGES IN NET POSITION**

Figure A-3

	2018		2017		\$ Change	% Change
	Amount	%	Amount	%		
REVENUES (Chart Figure A-4)						
PROGRAM REVENUES						
Charges for Services	\$ 1,755,450	23.02%	\$ 1,746,956	24.24%	\$ 8,494	0.49%
Operating Grants	812,761	10.66%	741,950	10.29%	70,811	9.54%
GENERAL REVENUES						
Real Property Taxes	3,101,981	40.67%	3,062,071	42.48%	39,910	1.30%
Non Property Taxes	1,294,155	16.97%	1,275,128	17.69%	19,027	1.49%
Use of Money and Property	5,014	0.07%	2,105	0.03%	2,909	138.19%
Intergovernmental Charges	278,774	3.66%	246,541	3.42%	32,233	13.07%
Unallocated State and Federal Aid	285,273	3.74%	77,655	1.08%	207,618	267.36%
Interfund Revenues	26,000	0.34%	26,000	0.36%	0	0.00%
Sale of Property and Compensation for Loss	24,150	0.32%	24,127	0.33%	23	0.10%
Miscellaneous	43,582	0.57%	5,616	0.08%	37,966	676.03%
	<u>7,627,140</u>	<u>100.00%</u>	<u>7,208,149</u>	<u>100.00%</u>	<u>418,991</u>	<u>5.81%</u>
EXPENDITURES (Chart Figure A-5)						
General Government	756,808	9.99%	861,814	11.96%	(105,006)	-12.18%
Public Safety	1,588,432	20.96%	1,446,177	20.08%	142,255	9.84%
Health	1,392	0.02%	1,120	0.02%	272	24.29%
Transportation	768,146	10.14%	514,005	7.14%	254,141	49.44%
Culture and Recreation	58,248	0.77%	84,612	1.17%	(26,364)	-31.16%
Home and Community Services	768,692	10.14%	742,527	10.31%	26,165	3.52%
Water Utilities	347,548	4.59%	365,291	5.07%	(17,743)	-4.86%
Sewer Utilities	545,249	7.20%	577,835	8.02%	(32,586)	-5.64%
Interest on Debt	202,627	2.67%	212,873	2.96%	(10,246)	-4.81%
Employee Benefits	2,015,980	26.60%	1,909,993	26.51%	105,987	5.55%
Depreciation	524,853	6.93%	487,435	6.77%	37,418	7.68%
	<u>7,577,977</u>	<u>100.00%</u>	<u>7,203,682</u>	<u>100.00%</u>	<u>374,295</u>	<u>5.20%</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 49,163</u>		<u>\$ 4,467</u>		<u>\$ 44,696</u>	

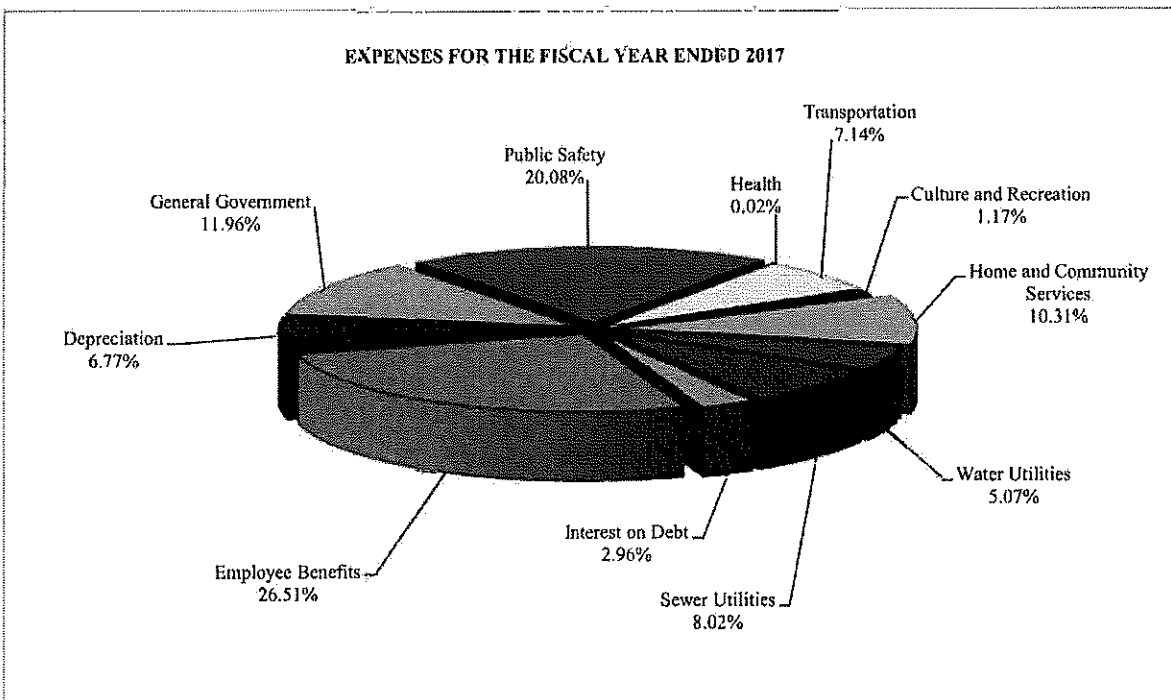
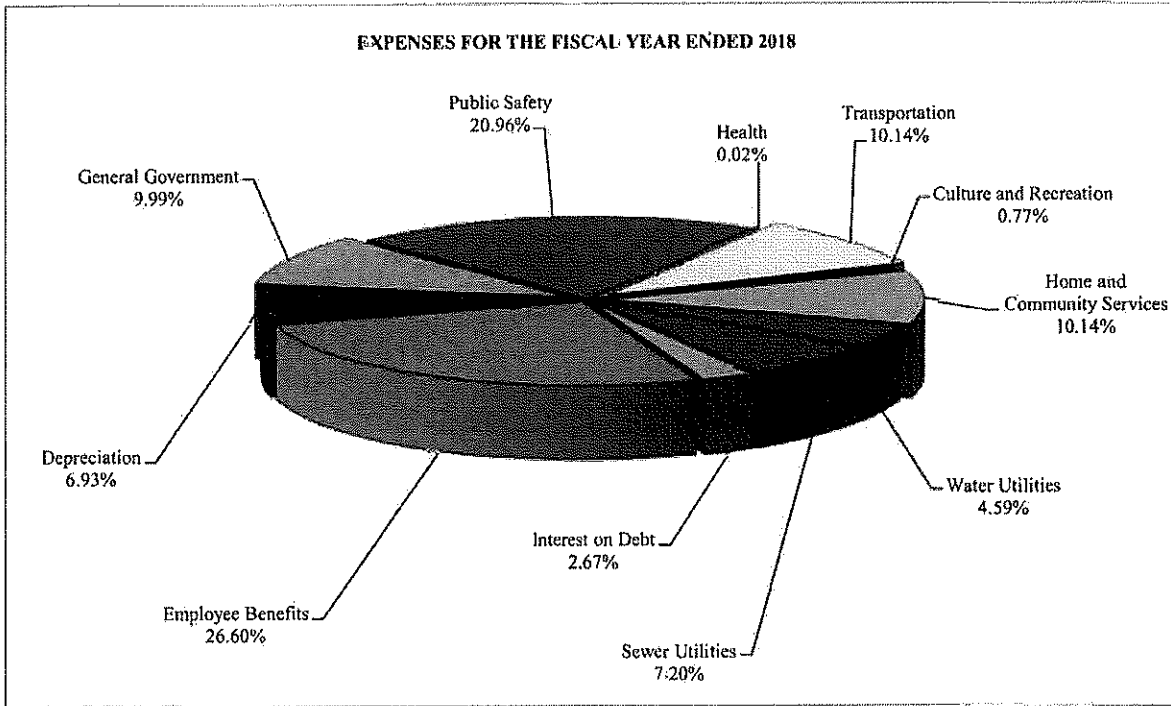
**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure A-4



**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

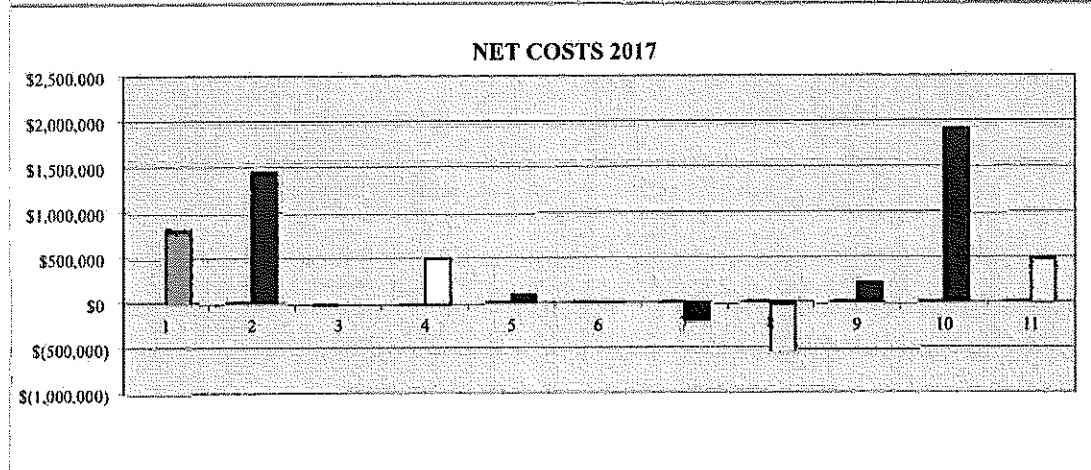
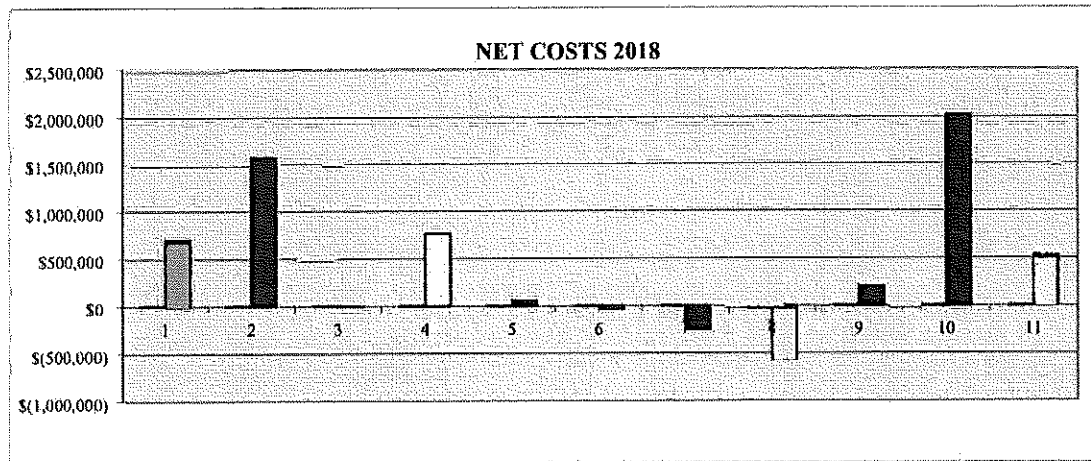
Figure A-5



**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure A-6

PROGRAMS	Total Costs of Services 2018	Net Costs of Services 2018	Total Costs of Services 2017	Net Costs of Services 2017
1 General Government	\$ 756,808	\$ 705,547	\$ 861,814	\$ 812,204
2 Public Safety	1,588,432	1,573,946	1,446,177	1,442,885
3 Health	1,392	(100)	1,120	0
4 Transportation	768,146	768,146	514,005	514,005
5 Culture and Recreation	58,248	58,248	84,612	84,612
6 Home and Community Services	768,692	(34,783)	742,527	267
7 Water Utilities	347,548	(245,463)	365,291	(207,070)
8 Sewer Utilities	545,249	(559,237)	577,835	(542,428)
9 Interest on Debt	202,627	202,627	212,873	212,873
10 Employee Benefits	2,015,980	2,015,980	1,909,993	1,909,993
11 Depreciation	524,853	524,853	487,435	487,435
Total Costs	\$ 7,577,977	\$ 5,009,766	\$ 7,203,682	\$ 4,714,776



VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2018

Figure A-6 (Continued)

Total costs of services provided by the Village (Figure A-6) for the fiscal years ended May 31, 2018 and 2017 were \$7,577,977 and \$7,203,682, respectively. These charges were offset by charges and services of \$1,755,450, and grants and contributions of \$812,761, resulting in net cost of services of \$5,009,766 for the year ended May 31, 2018. This is a \$294,990 increase over last year's total net costs of \$4,714,776.

The Village's governmental funds are reported in the fund statements with a modified accrual basis that uses a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The major governmental funds of the Village consist of the General Fund, Capital Fund, Water Fund, Sewer Fund, and Community Development Fund. The total fund balances allocated between restricted, assigned, and unassigned fund balance for each of these funds is as follows:

Figure A-7

	May 31, 2018		
	Restricted	Assigned	Unassigned
General	\$ 232,476	\$ 354,838	\$ 705,451
Capital Projects	0	0	(67,687)
Water	716,689	0	0
Sewer	688,827	0	0
Community Development	0	29,232	0
	\$ 1,637,992	\$ 384,070	\$ 637,764
	May 31, 2017		
	Restricted	Assigned	Unassigned
General	\$ 145,482	\$ 255,000	\$ 855,390
Capital Projects	0	0	(345,111)
Water	578,531	0	0
Sewer	653,433	0	0
Community Development	0	28,859	0
	\$ 1,377,446	\$ 283,859	\$ 510,279

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Village revised the general fund budgets to reflect additional changes in budgeted revenues and expenditures. Actual revenues were more than revised budget estimates by \$4,215 and actual expenditures were less than budgeted expenditures by \$427,250. Figure A-8 summarizes the general funds original and revised budgets, actual expenditures and the variances for the year ended May 31, 2018.

Figure A-8

Condensed Budgetary Comparison General Fund	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real property taxes	\$ 3,079,737	\$ 3,079,737	\$ 3,080,353	\$ 616
Real property tax items	20,000	20,000	21,628	1,628
Non property taxes	1,311,000	1,311,000	1,294,155	(16,845)
State and Federal Aid	77,000	277,914	294,559	16,645
Departmental income	25,300	25,300	31,473	6,173
All other	108,500	119,935	115,933	(4,002)
Total Revenues	\$ 4,621,537	\$ 4,833,886	\$ 4,838,101	\$ 4,215
Other financing sources	\$ 355,000	\$ 494,573	\$ 100,000	
EXPENDITURES				
General government support	\$ 875,626	\$ 820,856	\$ 734,687	\$ 86,169
Public safety	1,525,459	1,606,097	1,474,083	132,014
Health	500	1,392	1,392	0
Transportation	867,085	1,121,283	963,697	157,586
Culture & recreation	74,700	89,850	58,258	31,592
Home & community service	19,000	19,000	11,196	7,804
Employee benefits	1,279,667	1,310,481	1,298,521	11,960
Debt service	334,500	359,500	359,375	125
Total Expenditures	\$ 4,976,537	\$ 5,328,459	\$ 4,901,209	\$ 427,250

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2018

CAPITAL ASSETS

The Village records expenditures for land, buildings, equipment, machinery and infrastructures (roads, water and sewer systems) as capital assets in the Statement of Net Position. Annual depreciation expense is recorded in the Statement of Activities to reflect the use of these assets over their useful lives. Land and construction in progress are not subject to depreciation. The Village's depreciation methods, assumptions regarding useful lives and capitalization thresholds are described in Notes 1 and 5 in the Notes to the Financial Statements.

Under the implementation standards of GASB 34, the Village is considered a small government, and as such is required only to recognize infrastructures on a prospective (going forward) basis. The Village has maintained detailed, separate records of infrastructure additions since 2004. The Village has elected to include infrastructure additions since 2004 in the capital assets section of the Statement of Net Position, as management believes their inclusion provides the reader with a more complete accounting of the Village's investment in capital resources.

In 2018, the Village expended \$417,911 on capital additions. Figure A-9 reflects the changes in net capital assets.

Figure A-9

Changes in Net Capital Assets	Governmental Activities		Total
	2018	2017	Dollar Change
Land	\$ 483,311	\$ 483,311	\$ 0
Land Improvements	161,606	191,102	(29,496)
Construction	4,270,874	4,366,166	(95,292)
Infrastructure	6,498,305	6,753,453	(255,148)
Machinery and Equipment	268,002	205,767	62,235
Vehicles	411,483	200,724	210,759
Total	\$ 12,093,581	\$ 12,200,523	\$ (106,942)

Major additions in 2018 included:

Infrastructure	\$ 47,904
Machinery & Equipment	109,494
Vehicles	260,513
Total	<u>\$ 417,911</u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2018

DEBT ADMINISTRATION

Debt, both short-term and long-term, decreased by \$637,269 during 2018.

Other Postemployment Benefits increased by \$500,000 during 2018.

The Village's liability for compensated absences decreased by \$38,772 during 2018.

Detailed information regarding the Village's short and long-term liabilities are presented in more detail in Note 7 and 8 in the current year's notes to the financial statements. Figure A-10 reflects the changes in the Village's debt for 2018.

Figure A-10

Outstanding Debt	Governmental Activities		Total
	2018	2017	Dollar Change
Bond Anticipation Notes	\$ 450,000	\$ 730,000	\$ (280,000)
Serial Bonds	4,965,000	5,370,000	(405,000)
Capital Lease Payable	47,731	0	47,731
Net Pension Liability - Proportionate Share	385,835	975,297	(589,462)
Total Pension Liability - LOSAP	1,550,667	1,332,301	218,366
Other Postemployment Benefits	3,860,000	3,360,000	500,000
Compensated Absences	200,201	238,973	(38,772)
Total	\$ 11,459,434	\$ 12,006,571	\$ (547,137)

FINANCIAL CONTACT

The Village's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Village's finances and to demonstrate the Village's accountability. If you have questions about the report or need additional financial information, contact Ralph Walters, Village Treasurer, Village of Highland Falls, 303 Main Street, Highland Falls, New York 10928.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
STATEMENT OF NET POSITION
MAY 31, 2018

ASSETS

Unrestricted Cash	\$ 1,442,229
Restricted Cash	1,637,992
Accounts Receivable, net	188,884
Due from Fiduciary Funds	21
Capital Assets (Net of Accumulated Depreciation)	<u>12,093,581</u>
TOTAL ASSETS	15,362,707

DEFERRED OUTFLOWS OF RESOURCES

Pensions	<u>882,491</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>16,245,198</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	98,146
Accrued Liabilities	74,940
Due to Employees' Retirement System	55,044
Bond Anticipation Notes Payable	450,000
Long-Term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable	405,000
Capital Lease Obligations	22,577
Due and Payable More Than One Year:	
Bonds Payable	4,560,000
Capital Lease Obligations	25,154
Net Pension Liability - Proportionate Share	385,835
Other Post Retirement Benefits Payable	3,860,000
Total Pension Liability - LOSAP	1,550,667
Compensated Absences	<u>200,201</u>
TOTAL LIABILITIES	11,687,564

DEFERRED INFLOWS OF RESOURCES

Pensions	<u>1,045,926</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	12,733,490

NET POSITION

Net Investment in Capital Assets	6,989,740
Restricted	1,637,992
Unrestricted	<u>(5,116,024)</u>
TOTAL NET POSITION	<u>\$ 3,511,708</u>

See notes to financial statements.

**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2018**

	Program Revenues		Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions
			Governmental Activities
PRIMARY GOVERNMENT			
Governmental Activities:			
General Government	\$ (1,075,192)	\$ 51,261	\$ (1,023,931)
Public Safety	(2,812,464)	5,200	(2,797,978)
Health	(1,392)	1,492	100
Transportation	(1,072,790)	0	(1,072,790)
Culture and Recreation	(61,669)	0	(61,669)
Home and Community Services	(983,521)	0	(180,046)
Water Utilities	(542,425)	593,011	50,586
Sewer Utilities	(825,896)	1,104,486	278,590
Interest on Debt	(202,627)	0	(202,627)
TOTAL PRIMARY GOVERNMENT	\$ (7,577,977)	\$ 1,755,450	\$ 812,761
GENERAL REVENUES			
Real Property Taxes			3,080,353
Real Property Tax Items			21,628
Non Property Taxes			1,294,155
Use of Money and Property			5,014
Intergovernmental Charges			278,774
Unallocated State and Federal Aid			285,273
Interfund Revenues			26,000
Sale of Property and Compensation for Loss			24,150
Miscellaneous			43,582
TOTAL GENERAL REVENUES			5,058,929
CHANGE IN NET POSITION			49,163
NET POSITION - BEGINNING (As Restated)			3,462,545
NET POSITION - ENDING			\$ 3,511,708

See notes to financial statements.

**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
MAY 31, 2018**

	General	Community Development	Water	Sewer	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted Cash	\$ 1,159,344	\$ 29,232	\$ 620,198	\$ 575,760	\$ 382,313	\$ 2,766,847
Restricted Cash	232,476	0	40,449	40,449	0	313,374
Accounts Receivable, Net	7,042	0	82,489	99,353	0	188,884
Due from Other Funds	21	0	0	0	0	21
TOTAL ASSETS	\$ 1,398,883	\$ 29,232	\$ 743,136	\$ 715,562	\$ 382,313	\$ 3,269,126
LIABILITIES						
Accounts Payable	\$ 54,207	0	\$ 22,447	\$ 21,492	0	\$ 98,146
Accrued Liabilities	4,853	0	506	751	0	6,110
Due to Employees' Retirement System	47,058	0	3,494	4,492	0	55,044
Bond Anticipation Notes Payable	0	0	0	0	450,000	450,000
TOTAL LIABILITIES	106,118	0	26,447	26,735	450,000	609,300
FUND BALANCES						
Restricted	232,476	0	716,689	688,827	0	1,637,992
Assigned	354,838	29,232	0	0	0	384,070
Unassigned	705,451	0	0	0	(67,687)	637,764
TOTAL FUND BALANCES	1,292,765	29,232	716,689	688,827	(67,687)	2,659,826
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,398,883	\$ 29,232	\$ 743,136	\$ 715,562	\$ 382,313	\$ 3,269,126

See notes to financial statements.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2018

	Total Governmental Funds	Long-Term Assets Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Unrestricted Cash	\$ 2,766,847	\$ 0	\$ (1,324,618)	\$ 1,442,229
Restricted Cash	313,374	0	1,324,618	1,637,992
Due from Other Funds	21	0	(21)	0
Due from Fiduciary Funds	0	0	21	21
Other Receivables, Net	188,884	0	0	188,884
Capital Assets, Net	0	12,093,581	0	12,093,581
TOTAL ASSETS	3,269,126	12,093,581	0	15,362,707
	\$ 3,269,126	\$ 12,976,072	\$ 0	\$ 16,245,198
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	0	882,491	0	882,491
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,269,126	\$ 12,976,072	\$ 0	\$ 16,245,198
	\$ 98,146	\$ 0	\$ 0	\$ 98,146
LIABILITIES				
Accounts Payable	6,110	68,830	0	74,940
Accrued Liabilities	450,000	0	0	450,000
Bond Anticipation Notes Payable	0	4,965,000	0	4,965,000
Bond Payable	0	47,731	0	47,731
Capital Leases Obligations	55,044	0	0	55,044
Due to Employees' Retirement System	0	385,835	0	385,835
Net Pension Liability - Proportionate Share	0	3,860,000	0	3,860,000
Other Post Retirement Benefits Payable	0	1,550,667	0	1,550,667
Total Pension Liability - LOSAP	0	200,201	0	200,201
Compensated Absences Payable	0	11,078,264	0	11,687,564
TOTAL LIABILITIES	609,300	11,078,264	0	11,687,564
	0	1,045,926	0	1,045,926
DEFERRED INFLOWS OF RESOURCES				
Pensions	609,300	12,124,190	0	12,733,490
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	609,300	12,124,190	0	12,733,490
	2,659,826	851,882	0	3,511,708
TOTALS FUND EQUITY/NET POSITION	2,659,826	851,882	0	3,511,708
	\$ 3,269,126	\$ 12,976,072	\$ 0	\$ 16,245,198
TOTAL LIABILITIES AND FUND EQUITY/NET POSITION	\$ 3,269,126	\$ 12,976,072	\$ 0	\$ 16,245,198

See notes to financial statements.

**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2018**

	General	Community Development	Water	Sewer	Capital Projects	Total Governmental Funds
REVENUES						
Real Property Taxes	\$ 3,080,353	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,080,353
Real Property Tax Items	21,628	0	0	0	0	21,628
Non-Property Tax Items	1,294,155	0	0	0	0	1,294,155
Departmental Income	31,473	0	593,011	1,104,486	0	1,728,970
Intergovernmental Charges	0	0	277,460	1,314	0	278,774
Use of Money and Property	3,084	25	694	890	321	5,014
Licenses and Permits	4,050	0	0	0	0	4,050
Fines and Forfeitures	22,431	0	0	0	0	22,431
Sale of Property and Compensation for Loss	22,840	0	1,310	0	0	24,150
Interfund Revenue	26,000	0	0	0	0	26,000
Miscellaneous	37,528	0	5,935	118	0	43,581
State and Federal Aid	294,559	803,475	0	0	0	1,098,034
TOTAL REVENUES	4,838,101	803,500	878,410	1,106,808	321	7,627,140
EXPENDITURES						
General Government Support	734,687	0	39,509	0	0	774,196
Public Safety	1,474,083	0	0	0	0	1,474,083
Health	1,392	0	0	0	0	1,392
Transportation	963,697	0	0	0	0	963,697
Culture and Recreation	58,258	0	0	0	0	58,258
Home and Community Service	11,196	803,127	349,781	547,831	0	1,711,935
Employee Benefits	1,298,521	0	83,709	133,750	0	1,515,980
Capital Outlay	0	0	0	0	75,628	75,628
Debt Service	359,375	0	217,253	339,832	0	916,460
TOTAL EXPENDITURES	4,901,209	803,127	690,252	1,021,413	75,628	7,491,629
OTHER FINANCING SOURCES (USES)						
Proceeds from Obligations	0	0	0	0	72,731	72,731
BANS Redeemed from Appropriations	0	0	0	0	280,000	280,000
Operating Transfers In	100,000	0	0	0	0	100,000
Operating Transfers Out	0	0	(50,000)	(50,000)	0	(100,000)
TOTAL FINANCING SOURCES (USES)	100,000	0	(50,000)	(50,000)	352,731	352,731
CHANGE IN NET ASSETS	36,892	373	138,158	35,395	277,424	488,242
NET ASSETS - BEGINNING	1,255,873	28,859	578,531	653,432	(345,111)	2,171,584
NET ASSETS - ENDING	\$ 1,292,765	\$ 29,232	\$ 716,689	\$ 688,827	\$ (67,687)	\$ 2,659,826

See notes to financial statements.

**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS - REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2018**

	Total Governmental Funds	Long-Term Revenue and Expenses	Capital Related Items	Long-Term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Totals
REVENUES						
Real Property Taxes	\$ 3,080,353	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,080,353
Real Property Tax Items	21,628	0	0	0	0	21,628
Non Property Tax Items	1,294,155	0	0	0	0	1,294,155
Departmental Income	1,728,970	0	0	0	0	1,728,970
Intergovernmental Charges	278,774	0	0	0	0	278,774
Use of Money and Property	5,014	0	0	0	0	5,014
Licenses and Permits	4,050	0	0	0	0	4,050
Fines and Forfeitures	22,431	0	0	0	0	22,431
Sale of Property and Compensation for Loss	24,150	0	0	0	0	24,150
Interfund Revenue	26,000	0	0	0	0	26,000
Miscellaneous	43,581	0	0	0	0	43,581
State and Federal Aid	1,098,034	0	0	0	0	1,098,034
TOTAL REVENUES	7,627,140	0	0	0	0	7,627,140
EXPENDITURES						
General Government Support	774,196	(5,417)	36,740	0	269,673	1,075,192
Public Safety	1,474,083	(21,118)	125,965	0	1,233,534	2,812,464
Health	1,392	0	0	0	0	1,392
Transportation	963,697	(4,749)	57,734	0	56,109	1,072,790
Culture and Recreation	58,258	(15)	2,624	0	801	61,669
Home and Community Service	1,711,935	(44)	212,565	0	(940,936)	983,521
Water Utilities	0	(3,445)	15,746	0	530,125	542,425
Sewer Utilities	0	(3,984)	73,479	0	756,401	825,896
Employee Benefits	1,515,980	732,011	0	0	(2,247,991)	0
Capital Outlay	75,628	0	(417,911)	0	342,283	0
Debt Service	916,460	(3,833)	0	(710,000)	0	202,627
TOTAL EXPENDITURES	7,491,629	689,406	106,942	(710,000)	0	7,577,977
Excess (Deficiency) of Revenues Over Expenditures	135,511	(689,406)	(106,942)	710,000	0	49,163
OTHER SOURCES (USES):						
Operating Transfers In	100,000	0	0	0	(100,000)	0
Operating Transfers Out	(100,000)	0	0	0	100,000	0
Proceeds from Obligations	72,731	0	0	(72,731)	0	0
Bond Anticipation Notes Redeemed from Appropriations	280,000	0	0	(280,000)	0	0
TOTAL OTHER SOURCES (USES)	352,731	0	0	(352,731)	0	0
NET CHANGE FOR THE YEAR	\$ 488,242	\$ (689,406)	\$ (106,942)	\$ 357,269	\$ 0	\$ 49,163

See notes to financial statements.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
MAY 31, 2018

	<u>AGENCY FUNDS</u>
ASSETS	
Cash	\$ 275,228
Investment in Service Award Program Provider	<u>1,035,364</u>
TOTAL ASSETS	<u><u>\$ 1,310,592</u></u>
 LIABILITIES	
Due to Other Funds	\$ 21
Other Liabilities	275,207
Service Award Program Payable	<u>1,035,364</u>
TOTAL LIABILITIES	<u><u>\$ 1,310,592</u></u>

See notes to financial statements.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Village of Highland Falls have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Where comparative amounts are presented, certain reclassifications may have been made to the prior year amounts so that they would be in conformity with the current year's presentation.

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Village's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Financial Reporting Entity

The Village of Highland Falls was established in 1906, is governed by the Village Law, other general municipal laws of the State of New York, and various local laws. The Village Board is the legislative body responsible for the overall operation, the Mayor serves as Chief Executive Officer and the Village treasurer serves as Chief Fiscal Officer.

The Village provides the following principal services: police protection, transportation (streets and highways), recreation, planning and zoning, general administration, public improvements, water and sewer and other home and community services.

All governmental activities and functions performed for the Village of Highland Falls are its direct responsibility. No other governmental organization has been included or excluded from the reporting entity.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement #14, "The Financial Reporting Entity:"

1. The primary government which is the Village of Highland Falls.
2. Organizations for which the primary government is financially accountable, and;
3. Other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's general purpose financial statements to be misleading or incomplete.

The decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement #14, including legal standing, fiscal dependency, and financial accountability.

Based on the application of the above criteria, no other entities are included in the reporting entity.

B. Basis of Presentation

1. Government-wide Statements

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

The Statement of Activities presents a comparison between direct expenses and program 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. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

2. Fund Financial Statements

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

The Village of Highland Falls reports the following major Governmental Funds:

- **General Fund:** This is the Village's primary operating fund. It accounts for all financial transactions that are not required by law or other provision to be accounted for in other funds.
- **Water Fund:** Established by law to account for revenues derived from charges for water consumption and benefited assessments and the application of such revenues toward related operating expenses and debt retirement.
- **Sewer Fund:** Established by law to account for revenues derived from sewer rents and benefited assessments and used for related operating expenses and debt retirement.
- **Capital Projects Fund:** Established to account for capital improvements financed from current monies transferred from other funds, federal and state grants and proceeds of obligations.
- **Community Development Fund:** Used to account for funds received as Community Development Block Grants and Section Eight Housing Assistance, pursuant to Community Development Act and other Federal and State Grants.

The Village reports the following fiduciary funds:

- **Agency Fund:** Used to account for those funds held in custody and subsequent distributions, transmittal or release to other governments, individuals or to other funds.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

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

The Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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

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

D. Property Taxes

Village real property taxes are levied annually on June 1, and become a lien on that date. Taxes are collected during the period June 1 to June 30 at face value and from July 1 to October 31 with interest added. The Village Receiver of Taxes collects all real estate taxes for Village purposes. The Village Receiver distributes the collected tax money to the Mayor prior to reporting the uncollected balance to the County. The Village thereby is assured of 100% tax collection. Responsibility for the collection of unpaid taxes rests with the County. Uncollected tax liens are sold annually by the County.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data

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

- a. No later than March 20, the budget officer submits a tentative budget to the Village Clerk. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b. No later than March 31, the Village Clerk presents the tentative budget to the Village Board for the fiscal year commencing the following June 1.
- c. After public hearings are conducted to obtain taxpayer comments, no later than April 20, the Village Board adopts the budget by May 1.
- d. All modifications of the budget must be approved by specific action of the Village Board. However, the Mayor is authorized to transfer certain budgeted amounts within departments.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget Basis of Accounting

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

Budgetary controls for the special grant fund are established in accordance with the applicable grant agreements which cover, in most cases, a period other than the Village's fiscal year.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments

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

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

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

G. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

H. Due To/From Other Funds

Amounts due to and due from within the same fund type have been eliminated in the Government-wide statements. A detailed description of the individual fund balances is provided subsequently in these notes.

I. Inventories and Prepaid Items

Purchases of inventorable items are recorded as expenditures in the Government Funds at the time of purchase. Inventory-type items are considered immaterial and, consequently, are not provided in the government-wide statements.

Prepaid items represent payments made by the Village for which benefits extend beyond year-end.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets

Capital assets are reported at historical costs. The Village depreciates capital assets using the straight-line method over the estimated useful life of the assets. Capitalization thresholds (the dollar value above which capital asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the Government-Wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land Improvements	\$ 5,000	20 years
Building and Improvements	5,000	50 years
Furniture, fixtures & machinery	1,000	5-10 years
Vehicles	1,000	6-8 years

K. Infrastructure

The Village includes long-lived improvements to roads, water and sewer systems as capital assets in the Government-wide statements. Infrastructures are reported at historical costs and are depreciated using the straight-line method over their estimated useful lives.

Capitalization thresholds and estimated useful lives for infrastructure are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Water & Sewer systems	5,000	20-50 years
Road Systems	5,000	20-50 years

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Vested Employee Benefits

Employees accrue (earn) vacation leave based on the number of years employed up to a maximum of twenty-five days and may carry over up to forty-five days each year. Upon separation from service, an employee is entitled to payment for accumulated vacation time.

Employees accrue (earn) sick leave at the rate of one day per month and may accumulate such credits up to the total of 180 days. Employees are not paid for any accumulated sick leave upon separation of service.

A liability for accrued vacation and sick time is reflected in the government-wide statements under the heading "Compensated Absences".

The Village's employees participate in the New York State Employees' Retirement System and New York State Police and Fire Retirement Systems.

In addition to providing pension benefits, the Village of Highland Falls provides health insurance coverage for retired employees. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year for the community. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid.

During the year, approximately \$330,000 was paid from the General Fund on behalf of 19 retirees.

M. Unemployment Insurance

Village employees are covered by unemployment insurance. The Village has chosen to discharge its liability to the New York State Unemployment Insurance Fund by means of the benefit reimbursement method. This is a dollar-for-dollar reimbursement to the Unemployment Insurance Fund for the benefits paid to former employees and charged to the Village's account. The Village is exempt for federal unemployment insurance tax.

N. Deferred Compensation

The Village offers their employees a Deferred Compensation Plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all eligible participants, permits participants to defer a portion of their salary not to exceed the IRS limits. Amounts deferred under the Plan are not available to the employee until termination, retirement, death or unforeseeable emergency.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. This is related to pensions reported in the entity-wide Statement of Net Position. This represents the effect of the net change in the Village's proportion of the collective net pension asset or liability and difference during the measurement period between the Village's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the Village contributions to the pension systems (PFRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has one item that qualifies for reporting in this category. This item is related to pensions reported in the Village – wide Statement of Net Position. This represents the effect of the net change in the Village's proportion of the collective net pension liability (ERS and PFRS System) and difference during the measurement periods between the Village's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

P. Risk Retention

The Village assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

Q. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, it is the Village's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Equity Classification

1. Government-wide Statements

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

Net Investment in Capital Assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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

Unrestricted - reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the Village.

2. Funds Statements

The Village followed GASB Statement No. 54. The purpose of this accounting standard is to provide fund balance categories and classifications that are more easily understood by users of financial statements and consistently applied by villages. This standard sets forth hierarchical fund balance classifications that are based primarily upon the extent to which a Village is bound to observe constraints imposed upon the use of resources reported in governmental funds. The following is a brief description on the five fund balance classifications that the Village can utilize:

Nonspendable: Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Constraints have been imposed on the use of these amounts either (a) externally by creditors, grantors, contributors or laws or regulations of other governments; or (b) by law through constitutional provisions or enabling legislation.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Equity Classification (Continued)

2. Funds Statements (Continued)

Capital Reserve

The Capital Reserve is used to pay the cost of any object or purpose for which bonds may be issued. The capital reserve was approved by the Village Board to be used for future capital projects. This reserve is accounted for in the General, Water, and Sewer Funds in the amount of \$232,476, \$716,689, and \$688,827, respectively.

Restricted balances at May 31, 2018 were as follows:

General Fund	\$ 232,476
Water Fund	716,689
Sewer Fund	<u>688,827</u>
Total	<u>\$ 1,637,992</u>

Committed: Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. The Village did not classify any of its fund balances as committed as of May 31, 2018.

Assigned: Includes amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the General Fund that are intended to be used for a specific purpose. Assigned fund balance in the General Fund includes \$354,838 assigned to be used to reduce the tax levy for the year ending May 31, 2019. This assignment is made when the tax levy is set by the Board of Trustees pursuant to the Village's annual budget policy. The Community Development has assigned fund balance of \$29,232.

Unassigned: Includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance is reported.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Interfund Transfers

The operations of the Village gives rise to certain transactions between funds, including transfers to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds for interfund transfers have been eliminated for the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

T. Use of Estimates

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

U. New Accounting Standards

The Village has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At May 31, 2018, the Village implemented the following new standards issued by GASB:

- GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*, effective for the year ending May 31, 2018.
- GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the year ending May 31, 2018.
- GASB Statement 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, effective for the year ending May 31, 2018.
- GASB Statement 81, *Irrevocable Split-Interest Agreements*, effective for the year ending May 31, 2018.
- GASB Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending May 31, 2018.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. New Accounting Standards (Continued)

GASB has issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*, which establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. The Village has implemented Statement 73, as required.

GASB has issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Village has implemented Statement 74, as required.

GASB has issued Statement 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The Village has implemented Statement 80, as required.

GASB has issued Statement 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Village has implemented Statement 81, as required.

GASB has issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses certain issues that have been raised with respect to Statements No. 67, 68, and 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Village has implemented Statement 82, as required.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

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

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

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

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

The basic financial statements contain a detailed reconciliation of the items creating the differences between fund balance reported in the Governmental Fund Statements and net position reported on the Statement of Net Position.

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

Original Cost of Capital Assets	\$ 24,096,825
Accumulated Depreciation	<u>(12,003,244)</u>
Capital Assets, Net	<u>\$ 12,093,581</u>

2. Interest payable is recognized in the entity wide statements under full accrual accounting. No accrual is recognized in the governmental fund statements for interest that was not paid from current financial resources.

Interest Payable at May 31, 2018	<u>\$ 68,830</u>
----------------------------------	------------------

3. Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds Payable	\$ 4,965,000
Capital Lease Payable	47,731
Other Postemployment Benefits	3,860,000
Total Pension Liability – LOSAP	1,550,667
Compensated Absences	<u>200,201</u>
	<u>\$ 10,623,599</u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:
(Continued)

4. In the Statement of Net Position, a liability is recognized for the Village's proportionate share of the net pension liability attributable to each defined benefit pension plan in which the Village participates. A net pension liability is measured as the proportionate share of the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service (proportionate share of total pension liability), net of the proportionate share of that pension plan's fiduciary net position. If a pension plan's fiduciary net position exceeds its total pension liability, the Village's proportionate share of the pension plan's net pension asset is recognized. Also, deferred outflows and inflows of resources related to pensions primarily result from contributions subsequent to the measurement date, as well as changes in the components of the net pension liability or asset. However, none of these amounts are included on the Balance Sheet as they are only recognized to the extent the pension liability is normally expected to be liquidated with expendable available financial resources. These balances at May 31, 2018 were as follows:

Deferred Outflows of Resources – Pension	\$ 882,491
Net Pension Liability, Proportionate Share (ERS & PFRS)	(385,835)
Deferred Inflows of Resources – Pension	(1,045,926)
	<u>\$ (549,270)</u>

B. Explanation of Difference between Governmental Funds Operating Statement and the Statement of Activities:

Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent these differences as follows:

- Long-term revenue differences arise because Governmental Funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because Governmental Funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.
- Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

B. Explanation of Difference between Governmental Funds Operating Statement and the Statement of Activities: (Continued)

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

The basic financial statements contain a detailed reconciliation of the items creating the differences between the change in fund balance reported in the Government Fund Statements and the change in net position reported in the Statement of Activities.

Total Revenue and Other Funding Sources:

Total revenues and other sources reported in Governmental Funds (Schedule #5)	\$ 7,979,871
Proceeds from Obligations	(72,731)
BAN's redeemed from appropriations	(280,000)
Total Revenues in the Statement of Activities and Changes in Net Position (Schedule #2)	\$ 7,627,140

Total Expenditures and Other Uses/Expenses:

Total expenditures and other uses reported in Governmental Funds (Schedule #5)	\$ 7,491,629
In the Statement of Activities, certain operating expenses (Compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The liability for compensated absences decreased during the year. (Schedule #6)	(38,772)
In the Statement of Activities, the expense for other postemployment benefits are measured based on the actuarially determined annual contributions (ARC) of the Village. In the governmental funds, however these expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). The liability for other postemployment benefits increased during the year. (Schedule #6)	500,000

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

B. Explanation of Difference between Governmental Funds Operating Statement and the Statement of Activities: (Continued)

In the Statement of Activities, the expense for LOSAP benefits are measured based on the actuarially determined annual contributions (ARC) of the Village. In the governmental funds, however these expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). The liability for LOSAP benefits increased during the year. (Schedule #6)	218,366
When purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of \$417,911 is less than depreciation of \$524,853 in the current year. (Schedule #6)	106,942
(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. (PFRS of \$42,758 and ERS of \$(29,113)) (Schedule 6)	13,645
Interest payable is recognized in the government-wide statements under full accrual accounting whereas it is not under the governmental fund statements. This is the amount by which interest payable for the current year is less than the interest payable for the prior year. (Schedule #6)	(3,833)
Repayment of debt service principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities. (Schedule #6)	<u>(710,000)</u>
Total expenses in the Statement of Activities and and Changes in Net Position (Schedule #2)	<u><u>\$ 7,577,977</u></u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 3. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended May 31, 2018, the Village implemented GASB Statement #73, GASB has issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*, which establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. See note 15 for the financial statement impact of the implementation of the statement.

NOTE 4. CASH

The Village of Highland Falls' investment policies are governed by State statutes, as previously described in these Notes. The depository bank places approved pledged securities for safekeeping and trust with the Village's agent bank in an amount sufficient to protect funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At May 31, 2018, the carrying amount of the Village's deposits (cash, certificate of deposits, and interest-bearing savings accounts) was \$3,355,449 and the bank balance was \$3,357,813. The Village's deposits at May 31, 2018 were entirely covered by FDIC Insurance or by pledged collateral held by the Village's agent bank in the Village's name.

NOTE 5. INTERFUND ACTIVITY

Interfund receivables and payables at May 31, 2018, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 21	\$ 0
Trust & Agency	0	21
Total	<u>\$ 21</u>	<u>\$ 21</u>

Interfund transfers in and transfers out for the year ended May 31, 2018, were as follows:

<u>Fund</u>	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General	\$ 100,000	\$ 0
Water	0	50,000
Sewer	0	50,000
Total	<u>\$ 100,000</u>	<u>\$ 100,000</u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended May 31, 2018, were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Reclass- ifications</u>	<u>Ending Balance</u>
Capital Assets that are not Depreciated:				
Land	\$ 483,311	\$ 0	\$ 0	483,311
Total Non-Depreciable Historical Cost	<u>483,311</u>	<u>0</u>	<u>0</u>	<u>483,311</u>
Capital Assets that are being Depreciated:				
Land Improvements	546,121	0	0	546,121
Construction	6,208,296	0	0	6,208,296
Infrastructure	10,666,873	47,904	0	10,714,777
Machinery & Equipment	3,893,784	109,494	0	4,003,278
Vehicles	1,880,529	260,513	0	2,141,042
Total Depreciable Historical Cost	<u>23,195,603</u>	<u>417,911</u>	<u>0</u>	<u>23,613,514</u>
Less Accumulated Depreciation:				
Land Improvements	355,019	29,496	0	384,515
Construction	1,842,130	95,292	0	1,937,422
Infrastructure	3,913,420	303,052	0	4,216,472
Machinery & Equipment	3,688,017	47,259	0	3,735,276
Vehicles	1,679,805	49,754	0	1,729,559
Total Accumulated Depreciation	<u>11,478,391</u>	<u>524,853</u>	<u>0</u>	<u>12,003,244</u>
Total Historical Cost, Net	<u>\$ 12,200,523</u>	<u>\$ (106,942)</u>	<u>\$ 0</u>	<u>\$ 12,093,581</u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 6. CAPITAL ASSETS (Continued)

Depreciation was charged to governmental functions as follows:

General Government Support	\$ 36,740
Public Safety	125,965
Transportation	57,734
Culture and Recreation	2,624
Home and Community Services	212,565
Water Utilities	15,746
Sewer Utilities	73,479
	<hr/>
Total Depreciation Expense	<u>\$ 524,853</u>

NOTE 7. LIABILITIES

A. Short-Term Debt

Liabilities for bond anticipation notes (BAN's) are generally accounted for in the Capital Projects Fund. The notes or renewal thereof may not extend more than five years beyond the original date of issue unless a portion is redeemed within five years and within each 12 month period thereafter. For short-term financing, the Village of Highland Falls redeems (pays down) one-fifth (1/5) of the original BAN borrowing.

State law requires that BAN's issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. As of May 31, 2018, one Bond Anticipation Note (BAN) was outstanding for a total amount of \$450,000. These temporary funds were borrowed to assist with financing the renovation and construction expansion costs of the Village's water system, sewer facility and building improvements, vehicles, and other capital projects.

The following is a summary of Village of Highland Falls' outstanding bond anticipation notes for the year ended May 31, 2018.

<u>Description</u>	<u>Original Date of Issue</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount Outstanding at Year End</u>
Various Purpose 2015	03/06/15	\$ 1,532,500	1.85%	03/01/19	\$ 450,000
Total BAN's Payable					<u>\$ 450,000</u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 7. LIABILITIES (Continued)

A. Short-Term Debt (Continued)

Interest in short-term debt paid during the year was:

Interest paid	\$ 11,534
Less: Interest accrued-prior year	(2,718)
Add: Interest accrued-current year	1,962
Total Short-Term Interest	\$ 10,778

A. Long-Term Debt

Bonds: The Village of Highland Falls borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers. At May 31, 2018, the total bond principal indebtedness outstanding of the Village of Highland Falls aggregated \$4,965,000.

The following is a summary of the Village's outstanding bonds for the year ending May 31, 2018.

<u>Description</u>	<u>Original Date of Issue</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount Outstanding at Year End</u>
Serial Bonds:					
Backwash/Screw Pumps - EFC	3/13/2003	763,000	Var.	10/15/2032	\$ 420,000
2009 Bond - Various Purposes	8/1/2009	3,100,000	Var.	8/1/2035	2,525,000
2012 Refinancing	5/1/2012	3,145,000	Var.	7/1/2035	1,820,000
2016 Road Improvements	3/2/2016	262,500	Var.	3/1/2025	200,000
Total Bonds Payable					\$ 4,965,000

Interest on long-term debt paid during the year was:

Interest paid	\$ 194,928
Less: Interest accrued-prior year	(69,945)
Add: Interest accrued-current year	66,869
Total Long-Term Interest	\$ 191,852

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 7. LIABILITIES (Continued)

A. Long-Term Debt (Continued)

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Serial Bonds	\$ 5,370,000	\$ 0	\$ 405,000	\$ 4,965,000
Capital Lease Payable	0	72,731	25,000	47,731
Other liabilities:				
Other Postemployment Benefits	3,360,000	830,000	330,000	3,860,000
Total Pension Liability - LOSAP	1,332,301	304,990	86,624	1,550,667
Compensated Absences	238,973	0	38,772	200,201
Total Long-Term Liabilities	<u>\$ 10,301,274</u>	<u>\$ 1,207,721</u>	<u>\$ 885,396</u>	<u>\$ 10,623,599</u>

Activity for compensated absences is shown at net due the impracticability of determining these amounts separately. Payments of compensated absences are dependent upon future factors and, therefore, the timing of such payments cannot be determined. Compensated absences are reflected as a long-term liability in the Statement of Net Position.

The following is a summary of the maturity of long-term bond indebtedness:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 427,577	\$ 187,093	\$ 614,670
2020	295,154	175,139	470,293
2021	275,000	166,704	441,704
2022	285,000	157,901	442,901
2023	295,000	148,304	443,304
2024-2028	1,565,000	560,428	2,125,428
2029-2033	1,360,000	251,517	1,611,517
2034-2035	510,000	23,787	533,787
Total	<u>\$ 5,012,731</u>	<u>\$ 1,670,873</u>	<u>\$ 6,683,604</u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 7. LIABILITIES (Continued)

C. Postemployment Benefits

The Village provides medical coverage to actives, retirees and spouses through the NYSHIP Empire Plan. The Empire Plan provides comprehensive coverage through various programs.

The Village followed GASB Statement #45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions, in the year ended May 31, 2018. This required the Village to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The Village recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended May 31, 2018, the Village recognized approximately \$330,000 for its share of insurance premiums for currently enrolled retirees.

The Village has obtained an actuarial valuation report as of June 1, 2017, which indicates that the total actuarial accrued liability for other post-employment benefits is \$9,770,000.

Plan Description:

Medical Benefits Program: The Plan is a fully insured plan. Current NYSHIP/Empire retiree premium rates provided to us by the Village include:

- | | |
|----------------------------|------------------------------|
| A) Individual Pre-Age 65: | Generally \$805 per month. |
| B) Family Pre-Age 65: | Generally \$1,809 per month. |
| C) Individual Post-Age 65: | Generally \$402 per month. |
| D) Family Post-Age 65: | Generally \$1,002 per month. |

For GASB #45 purposes, the plan is deemed "community rated". Therefore, adjustments to the premium rates to reflect the difference between the pre-age 65 active/retiree group (for which the current premium rates were based on) and the pre-age 65 retiree group, were not required, due to the "community rated" exception under ASOP 6. The minor impact of the Healthnet coverage is not considered material for this purpose.

Medicare Part B Premiums: paid by the Village at \$104.90/mo.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 7. LIABILITIES (Continued)

C. Postemployment Benefits (Continued)

Eligibility: Eligibility requirements are as follows:

- A) Non-uniformed: An employee may retire after age 55 with at least 10 years of service.
- B) Police: An employee may retire after completing at least 20 years of service.
- C) Spousal benefit upon retiree's death: Coverage continued; spouse must pay full blended rate.
- D) Active service death benefit: N/A

Village Subsidy:

The Village will generally contribute 100% of the NYSHIP/State Empire medical premium amounts for those electing individual coverage, and 90% toward those electing family coverage.

Funding Policy: The employer's funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants (i.e., pay-as-you-go). Current New York State law prohibits municipalities from pre-funding retiree medical benefit obligations in a Trust, although pre-funding moneys can arguably be "set-aside" on the municipality's balance sheet.

Medicare Part D reimbursement by New York State is also considered an "employer contribution" for GASB #45 purposes.

Annual OPEB Cost and Net OPEB Obligation: The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation:

Annual required contribution	\$880,000
Interest on net OPEB obligation	150,000
Adjustment to annual required contribution	<u>(200,000)</u>
Annual OPEB cost (expense)	830,000
Contributions made	<u>(330,000)</u>
Increase in net OPEB obligation	500,000
Net OPEB obligation - beginning of year	<u>3,360,000</u>
Net OPEB obligation - end of year	<u><u>3,860,000</u></u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 7. LIABILITIES (Continued)

C. Postemployment Benefits (Continued)

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and the two preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
5/31/2018	\$ 830,000	39.8%	\$ 3,860,000
5/31/2017	\$ 790,000	41.8%	\$ 3,360,000
5/31/2016	\$ 750,000	40.0%	\$ 2,900,000

Funded Status and Funding Progress:

As of June 1, 2017, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$9,770,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,770,000. The covered payroll (annual payroll of active employees covered by the plan) was \$2,160,000., and the ratio of the UAAL to the covered payroll was 452%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions:

Actuarial Methods and Assumptions : Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial funding method is the projected unit credit method.

The following assumptions were made:

Valuation Date: June 1, 2017

Discount Rate: 4.5% compounded annually.

Salary Scale: Not applicable.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 7. LIABILITIES (Continued)

C. Postemployment Benefits (Continued)

Mortality: Life expectancies were based on the RP-2014 Mortality Table with MP-2014 projection.

Withdrawal: Sarasson T-5 Table

Disability: N/A

Retirement Age: Active employees on average, will receive their benefits when eligible but no earlier than age 55.

Healthcare Cost Trend Rate: Healthcare costs will increase at an annual rate range of 8% for year one decreasing to 5% for years 7 and beyond.

Marital – Actives: Wife is assumed to be same age as the husband. 70% of males and 50% of females are assumed married.

Participation Rate: 100% of eligible retirees expected to participate. 3% per annum.

Asset Valuation Method: Market Value.

Amortization Period: Level Dollar Basis/Open over 30 years.

NOTE 8. PENSION PLANS

Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS), ERS and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as New York State and Local Retirement System (the ERS System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the ERS System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the ERS System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan (GLIP), which

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 8. PENSION PLANS (Continued)

Plan Description (Continued)

provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

ERS and PFRS Benefits Provided

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

Tiers 1 and 2

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

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

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

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 8. PENSION PLANS (Continued)

ERS and PFRS Benefits Provided (Continued)

Tiers 3, 4, and 5 (Continued)

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

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

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

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

Special Plans

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

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 8. PENSION PLANS (Continued)

ERS and PFRS Benefits Provided (Continued)

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after 10 years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

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

Ordinary Death Benefits

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

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for 10 years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 8. PENSION PLANS (Continued)

Funding Policy

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976 and prior to January 1, 2010, who contribute 3% of their salary for the first ten years of membership. For employees who joined after January 1, 2010, employees in NYSERS contribute 3% of their salary throughout their active membership. For NYSERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the NYSERS fiscal year ending March 31. The Village's contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

	<u>ERS</u>	<u>PFRS</u>
2018	\$ 146,903	\$ 186,465
2017	\$ 156,740	\$ 198,827
2016	\$ 181,653	\$ 207,099

Village contributions made to the Systems were equal to 100% of the contributions required for each year. Since 1989, the Systems' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the Systems' fiscal year ended March 31, 2005 (which otherwise were to have been paid on December 15, 2005) over a 10 year period, with an 8.00% interest factor added. Local governments were given the option to prepay this liability. The Village elected to prepay this liability.

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

At May 31, 2018, the Village reported the following asset/(liability) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2018 for ERS and PFRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. 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 ERS and PFRS Systems in reports provided to the Village.

	<u>ERS</u>	<u>PFRS</u>
Actuarial Valuation Date	4/1/2017	4/1/2017
Net Pension Asset/(Liability)	\$ (125,277)	\$ (260,558)
Village's Portion of the Plan's Total Net Pension Asset/(Liability)	0.0038816%	0.0257785%

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 8. PENSION PLANS (Continued)

For the year ended May 31, 2018, the Village's recognized pension expense of \$118,060 for ERS and \$231,276 for PFRS. At May 31, 2018 the Village's reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 44,682	\$ 107,243	\$ 151,925
Changes of Assumptions	83,069	197,420	280,489
Net difference between projected and actual earnings on pension plan investments	181,955	210,892	392,847
Changes in proportion and difference between the Village's contributions and proportionate share of contributions	0	2,186	2,186
Village's contributions subsequent to the measurement date	24,956	30,088	55,044
Total	<u>\$ 334,662</u>	<u>\$ 547,829</u>	<u>\$ 882,491</u>
	Deferred Inflows or Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 36,924	\$ 69,236	\$ 106,160
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	359,162	424,724	783,886
Changes in proportion and difference between the Village's contributions and proportionate share of contributions	78,990	76,890	155,880
Total	<u>\$ 475,076</u>	<u>\$ 570,850</u>	<u>\$ 1,045,926</u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 8. PENSION PLANS (Continued)

Village contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended May 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:	<u>ERS</u>	<u>PFRS</u>
2019	\$ (6,576)	\$ 35,728
2020	(3,997)	29,772
2021	(105,640)	(69,504)
2022	(49,155)	(51,201)
2023	0	2,095

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 valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>PFRS</u>
Measurement Date	March 31, 2018	March 31, 2018
Inflation Rate	2.5%	2.5%
Projected Salary Increases	3.80%	4.50%
Projected Cost of Living Adjustments	1.3%	1.3%
Investment Rate of Return	7.0% compounded annually, net of investment expenses	7.0% compounded annually, net of investment expenses
Decrements	Actuarial experience study for the period April 1, 2010 to March 31, 2015	Actuarial experience study for the period April 1, 2010 to March 31, 2015
Mortality Improvement	Society of Actuaries Scale MP-2014	Society of Actuaries Scale MP-2014

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 8. PENSION PLANS (Continued)

For ERS and PFRS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on MP-2014.

For ERS and PFRS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	<u>ERS & PFRS</u>	
	March 31, 2018	
	Target	Long-term
	<u>Allocation</u>	<u>expected real</u>
		<u>rate of return</u>
<u>Asset Class:</u>		
Domestic Equity	36%	4.55%
International Equity	14%	6.35%
Private Equity	10%	7.50%
Real Estate	10%	5.55%
Absolute Return Strategies	2%	3.75%
Opportunistic Portfolio	3%	5.68%
Real Assets	3%	5.29%
Bonds and Mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-indexed bonds	4%	1.25%
Total	<u>100%</u>	

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 8. PENSION PLANS (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and PFRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and PFRS, 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 (6.0% for ERS and PFRS) or 1-percentage-point higher (8.0% for ERS and PFRS) than the current rate:

<u>ERS</u>	<u>1% Decrease 6.00%</u>	<u>Current Assumption 7.00%</u>	<u>1% Increase 8.00%</u>
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (947,882)	\$ (125,277)	\$ 570,613
<u>PFRS</u>	<u>1% Decrease 6.00%</u>	<u>Current Assumption 7.00%</u>	<u>1% Increase 8.00%</u>
Employer's Proportionate Share of the Net Pension Asset/(Liability)	(1,276,286)	(260,558)	591,399

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 8. PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position

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

Measurement Date	(Dollars in Thousands)	
	ERS	PFRS
	March 31, 2018	March 31, 2018
Employers' total pension asset/(liability)	\$ (183,400,590)	\$ (32,914,423)
Plan net position	180,173,145	31,903,666
Employer's net pension asset/(liability)	\$ (3,227,445)	\$ (1,010,757)
Ratio of plan net position to the employers' total pension asset/(liability)	98.24%	96.93%

Payables to the Pension Plan

For ERS and PFRS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of May 31, 2018 represent the projected employer contributions for the period of April 1, 2017 through March 31, 2018 based on paid ERS and PFRS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2018 amounted to \$55,044.

NOTE 9. UNASSIGNED BALANCES.

Of the \$1,292,765 in General fund balance, \$705,451 is considered Unassigned. Other General Fund Balances are as follows at May 31, 2018:

Capital Reserve	\$ 232,476
Designated for Subsequent Year	354,838
Total	\$ 587,314

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 10. CONTINGENCIES.

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 to the Federal and State governments. Based on past audits, the Village administration believes disallowances, if any, will be immaterial.

NOTE 11. USE OF ESTIMATES.

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

NOTE 12. DEFICIT FUNDS BALANCES.

The Capital Projects Fund had a deficit fund balance at May 31, 2018 of \$67,687. The Capital Fund deficit will be removed through permanent financing.

NOTE 13. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) FOR DEFINED BENEFIT PLANS.

The Village of Highland Falls' financial statements are for the year ended May 31, 2018. However, the information contained in this note is based on information for the Length of Service Awards Program for the plan year ending on December 31, 2017, which is the most recent plan year for which complete information is available.

A. Length of Service Awards Program - LOSAP

The Village of Highland Falls established a defined benefit LOSAP for the active volunteer firefighters of the Village of Highland Falls Fire Department. The program took effect on January 1, 2001. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Village of Highland Falls is the sponsor of the program.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

**NOTE 13. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) FOR DEFINED
BENEFIT PLANS. (Continued)**

B. Program Description

Participation, vesting and service credit

Active volunteer firefighters who have reached the age of 18 and who have completed 1 year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with 5 years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is age 62. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the program.

Benefits

A participant's benefit under the program is the actuarial equivalent of a monthly payment for life equal to \$20 multiplied by the person's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed forty. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits. Normal benefit is monthly payments for life (with payments guaranteed for at least 10 years). Death benefit is the greater of the insurance face amount or the present value of accrued benefit. Accrued benefit is payable beginning at the entitlement date.

C. Fiduciary Investment and Control

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 13. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) FOR DEFINED BENEFIT PLANS. (Continued)

The governing board of the sponsor has retained and designated Hometown Benefits Inc. to assist in the administration of the program. The designated program administrator's functions include answering the Department's questions regarding the Service Award Program, including the effects of changes program figures, and offering suggestions to the Department's questions. Disbursements of program assets for the payment of benefits or administrative expenses must be approved by the Department's board.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The Treasurer and the Village Clerk are the Village trustees empowered to sign for the Trust.

Authority to invest program assets is vested in the Village Treasurer. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule.

The sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the plan. The actuary retained by the sponsor for this purpose is Gerald D. Heaton, EA of BPAS Actuarial & Pension Services. Portions of the following information are derived from a report prepared by the actuary dated February 2018.

D. Program Financial Condition

Assets and Liabilities

Actuarial Present Value of Benefits at December 31, 2017 \$ 1,153,903

Less: Assets Available for Benefits

	<u>% of total</u>		
Insurance Contracts	98%	\$ 1,016,922	
Checking Account	2%	18,442	

Less: Liabilities (0)

Total Net Assets Available for Benefits 1,035,364

Total Unfunded Benefits (118,539)

Less: Unfunded Liability for Prior Service (118,539)

Unfunded Normal benefits \$ 0

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 13. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) FOR DEFINED BENEFIT PLANS. (Continued)

Prior Service Costs

Prior service costs are being amortized over 10 years at a discount rate of 5.00%.

Receipts and Disbursements

Plan Net Assets, beginning of year		\$ 993,601
Changes during the year:		
+ Plan contribution	\$41,895	
+ Investment income earned	258	
+ Changes in fair market value of investments	23,150	
- Plan Benefit Withdrawals	<u>(23,540)</u>	
Plan Net Assets, end of year		<u>\$ 1,035,364</u>

Contributions

Amount of sponsor's contribution recommended by actuary:	\$ 41,661
Amount of sponsor's actual contribution:	\$ 41,895

Administration Fees

Fees paid to designated program administrator:	\$ 3,500
--	----------

E. Funding Methodology and Actuarial Assumptions

Normal Costs

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the Unit Credit Cost Method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on investment 5.00%

Mortality Tables used for

Withdrawal	None
Disability	None
Retirement	RP2 – RP-2000 Mortality Table
Death (Actives)	None
Death (Inactives)	None

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 13. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) FOR DEFINED BENEFIT PLANS. (Continued)

Total LOSAP Liability

The District's total LOSAP liability of \$1,550,667 was measured as of May 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total LOSAP liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified

Discount Rate: 3.57% (Based on Fidelity 20-Year GO AA Bond Index)

Inflation Rate: 3.00%

Measurement Date: May 31, 2018

Mortality: Life expectancies were based on the RP-2000 – Unisex Mortality Table.

Eligibility: All members who earn a “Year of Credit Service” Minimum Age: 18 Years;
 Minimum Service: 1 Year

Entitlement Date: Normal – First day of the month coincident with or following attainment of age 62 and completion of 1 year of service. Active participants can earn additional credit after age 62.

Changes in the Total OPEB Liability

Balance at May 31, 2017	<u>\$ 1,332,301</u>
<u>Changes for the Year:</u>	
Service cost	32,210
Interest	46,525
Changes of benefit terms	182,274
Differences between expected and actual experience	43,981
Changes in assumptions or other inputs	(50,579)
Benefit payments	<u>(36,045)</u>
Net Changes	<u>218,366</u>
Balance at May 31, 2018	<u><u>\$ 1,550,667</u></u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

NOTE 13. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) FOR DEFINED BENEFIT PLANS. (Continued)

Sensitivity of the Total LOSAP Liability to Changes in the Discount Rate – The following presents the total LOSAP liability of the Village, as well as what the Village’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.57 percent) or 1 percentage point higher (4.57 percent) than the current discount rate:

	1% Decrease <u>(2.57%)</u>	Current Discount Rate <u>(3.57%)</u>	1% Increase <u>(4.57%)</u>
Total LOSAP Liability	\$ 1,800,000	\$ 1,550,667	\$ 1,348,000

NOTE 14. SUBSEQUENT EVENTS

Subsequent events were evaluated through April 16, 2019, which is the date the financial statements were available to be issued. As of this date, there are no subsequent events to report.

NOTE 15. RESTATEMENT OF NET POSITION

For the fiscal year ended May 31, 2018, the Village implemented GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. GASB Statement 73 requires the liability of employers and nonemployer contributing entities to employees for defined benefit LOSAP programs to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total LOSAP liability), less the amount of the LOSAP plan’s fiduciary net position (if any). The District’s net position has been restated as follows:

Net Position Beginning of Year, as Previously Stated	<u>\$ 4,794,846</u>
 <u>GASB Statement 73 Implementation</u>	
Total LOSAP Liability under Statement 73	(1,332,301)
Net Position Beginning of Year, As Restated	<u><u>\$ 3,462,545</u></u>



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Mayor and Members
of the Village Board of the
Village of Highland Falls
Highland Falls New York 10928

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA
Patrick M. Bullis, CPA
Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund information of Village of Highland Falls, as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Village of Highland Falls' basic financial statements and have issued our report thereon dated April 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village of Highland Falls' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Highland Falls' internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Highland Falls' internal control.

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

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

questioned costs that we consider to be significant deficiencies. These significant deficiencies are identified as 2018-001 and 2018-002.

Compliance and Other Matters

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

Village of Highland Falls' Response to Findings

The Village of Highland Falls' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village of Highland Falls' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Montgomery, New York
April 16, 2019



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Mayor and Members
of the Village Board of the
Village of Highland Falls
Highland Falls, New York 10928

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA
Patrick M. Bullis, CPA
Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

Report on Compliance for Each Major Federal Program

We have audited Village of Highland Falls' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Village of Highland Falls' major federal programs for the year ended May 31, 2018. Village of Highland Falls' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Village of Highland Falls' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Highland Falls' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village of Highland Falls' compliance.

To the Mayor and Members
of the Village Board of the
Village of Highland Falls

Page 2

Opinion on Each Major Federal Program

In our opinion, the Village of Highland Falls, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2018.

Report on Internal Control Over Compliance

Management of the Village of Highland Falls is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village of Highland Falls' internal control over compliance with types of the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Village of Highland Falls' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

August & Hausler, P.C.

Montgomery, New York
April 16, 2019

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses

Yes No

Noncompliance material to financial statements noted?

Yes No

FEDERAL AWARDS

Internal Control Over Major Programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses

Yes No

Type of Auditor's Report Issued on Compliance for Major Programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR-200.516(a)?

Yes No

IDENTIFICATION OF MAJOR PROGRAMS:

<u>CFDA NUMBERS</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2018

SECTION II FINANCIAL STATEMENT FINDINGS

Finding 2018-001 Limited Segregation of Duties

Condition: The auditor found instances where segregation of duties was limited. Limitations in control activities may be addressed through additional management oversight. Through interviews with management and staff we were able to satisfy ourselves that direct involvement and knowledge of these activities reduced the potential for errors or irregularities.

Criteria: Segregation of duties relates to how various duties are assigned to different people within the organization. Generally, the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets should be assigned to different people so that no single person is in a position to both commit and conceal errors, irregularities or fraud.

Cause: Limited resources and personnel available contribute directly to the level of segregation achieved. Another factor is the organizational structure and the assignment of responsibilities within that structure.

Effect: The financial statements could have been significantly misstated due to errors or irregularities and fraud or misappropriation could occur and not be detected without adequate segregation of duties and responsibilities.

Recommendation: We recommend that the management review the responsibilities of business staff, as well as the duties actually being performed currently. This review should focus on segregating the functions for authorizing transactions, recording transactions, and maintaining custody of assets. As part of this review, management should consider whether the current staffing level is sufficient to achieve the desired internal control. It may be necessary to hire additional staff.

Finding 2018-002 Management Oversight and Monitoring

Condition: The Auditor found instances where oversight and monitoring by management were not documented. Through interviews with management and related personnel we were able to satisfy ourselves that the necessary oversight and monitoring was performed.

Criteria: Effective internal control over financial reporting requires management oversight and monitoring to establish reasonable assurance that financial reporting is being reliably and accurately completed. Documentation of this oversight and monitoring is necessary to insure that this criteria is met.

Cause: These activities are often informal and performed as a part of the overall management of the entity's operations. Management's close involvement in operations will typically identify inaccuracies in financial data.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2018

SECTION II FINANCIAL STATEMENT FINDINGS (continued)

Effect: The financial statements could have been significantly misstated without adequate documentation and performance of oversight functions.

Recommendation: We recommend that management formally document its review of all elements of the financial data reflected in the financial reporting. This would include but not be limited to ledger account reconciliations, journal entries, trial balances, revenue status and budget status reports.

Management has not completed its response to the above findings, as of the date of this audit report. Government Auditing Standards requires management's responses and planned corrective action to be included in this report.

SECTION III - FEDERAL AWARD FINDINGS AND RESPONSES

A. Significant Deficiencies in Internal Control

There were no findings relating to the major federal awards as required to be reported in accordance with Section 2 CFR-200.516(a).

B. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with Section 2 CFR-200.516(a).

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2018

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes	\$ 3,079,737	\$ 3,079,737	\$ 3,080,353	\$ 616
Real Property Tax Items	20,000	20,000	21,628	1,628
Non-Property Tax Items	1,311,000	1,311,000	1,294,155	(16,845)
Departmental Income	25,300	25,300	31,473	6,173
Use of Money and Property	1,000	1,000	3,084	2,084
Licences and Permits	6,000	6,000	4,050	(1,950)
Fines and Forfeitures	40,000	40,000	22,431	(17,569)
Sale of Property and Compensation for Loss	20,000	26,328	22,840	(3,488)
Miscellaneous	15,500	20,607	37,528	16,921
Interfund Revenues	26,000	26,000	26,000	0
State and Federal Aid	77,000	277,914	294,559	16,645
TOTAL REVENUES	<u>4,621,537</u>	<u>4,833,886</u>	<u>4,838,101</u>	<u>\$ 4,215</u>
OTHER SOURCES				
Appropriated Fund Balance	255,000	394,573	0	
Interfund Transfers	100,000	100,000	100,000	
TOTAL OTHER SOURCES	<u>355,000</u>	<u>494,573</u>	<u>100,000</u>	
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 4,976,537</u>	<u>\$ 5,328,459</u>	<u>\$ 4,938,101</u>	
EXPENDITURES				
General Government Support	\$ 875,626	\$ 820,856	734,687	\$ 86,169
Public Safety	1,525,459	1,606,097	1,474,083	132,014
Health	500	1,392	1,392	0
Transportation	867,085	1,121,283	963,697	157,586
Culture and Recreation	74,700	89,850	58,258	31,592
Home and Community Services	19,000	19,000	11,196	7,804
Employee Benefits	1,279,667	1,310,481	1,298,521	11,960
	334,500	359,500	359,375	125
TOTAL EXPENDITURES	<u>\$ 4,976,537</u>	<u>\$ 5,328,459</u>	<u>\$ 4,901,209</u>	<u>\$ 427,250</u>

See paragraph on supplemental schedules in auditor's report.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES COMPARED TO BUDGET
WATER FUND
FOR THE YEAR ENDED MAY 31, 2018

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Departmental Income	\$ 605,000	\$ 605,000	\$ 593,011	\$ (11,989)
Intergovernmental Charges	250,000	250,000	277,460	27,460
Use of Money and Property	0	0	694	694
Sale of Property and Compensation for Loss	1,000	1,000	1,310	310
Miscellaneous	0	0	5,935	5,935
TOTAL REVENUES	<u>\$ 856,000</u>	<u>\$ 856,000</u>	<u>\$ 878,410</u>	<u>\$ 22,410</u>
EXPENDITURES				
General Government Support	\$ 124,100	\$ 91,394	\$ 39,509	\$ 51,885
Home and Community Services	378,000	408,603	349,781	58,822
Employee Benefits	84,500	86,596	83,709	2,887
Debt Service	217,400	217,407	217,253	154
TOTAL EXPENDITURES	<u>804,000</u>	<u>804,000</u>	<u>690,252</u>	<u>\$ 113,748</u>
OTHER USES				
Operating Transfers Out	52,000	52,000	50,000	
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 856,000</u>	<u>\$ 856,000</u>	<u>\$ 740,252</u>	

See paragraph on supplemental schedules in auditor's report.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES COMPARED TO BUDGET
SEWER FUND
FOR THE YEAR ENDED MAY 31, 2018

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Departmental Income	\$ 1,141,000	\$ 1,141,000	\$ 1,104,486	\$ (36,514)
Intergovernmental Charges	1,400	1,400	1,314	(86)
Use of Money and Property	200	200	890	690
Miscellaneous	0	0	118	118
State and Federal Aid	0	0	0	0
TOTAL REVENUES	<u>\$ 1,142,600</u>	<u>\$ 1,142,600</u>	<u>\$ 1,106,808</u>	<u>\$ (35,792)</u>
EXPENDITURES				
General Government Support	\$ 75,000	\$ 7,399	0	\$ 7,399
Home and Community Services	534,700	599,443	547,831	51,612
Employee Benefits	143,000	145,858	133,750	12,108
Debt Service	339,900	339,900	339,832	68
TOTAL EXPENDITURES	<u>1,092,600</u>	<u>1,092,600</u>	<u>1,021,413</u>	<u>\$ 71,187</u>
OTHER USES				
Operating Transfers Out	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 1,142,600</u>	<u>\$ 1,142,600</u>	<u>\$ 1,071,413</u>	

See paragraph on supplemental schedules in auditor's report.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
MAY 31, 2018

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
5/31/2018	\$0	\$ 9,770,000	\$ 9,770,000	0%	\$ 2,160,000	452%
5/31/2016	\$0	\$ 8,870,000	\$ 8,870,000	0%	\$ 2,000,000	444%
5/31/2014	\$0	\$ 7,300,000	\$ 7,300,000	0%	\$ 2,120,000	344%

See paragraph on supplemental schedules in auditor's report.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED MAY 31, 2018

	NYSERS Pension Plan Last 10 Fiscal Years*				
	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
Village's proportion of the net pension asset/(liability)	0.0028816%	0.0044014%	0.0049042%	0.0055094%	0.0055094%
Village's proportionate share of the net pension asset/(liability)	(125,277)	(413,569)	(787,141)	(186,120)	(218,961)
Village's covered-employee payroll	1,034,811	1,008,834	941,388	983,974	1,027,410
Village's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-12.11%	-40.99%	-83.61%	-18.92%	-24.23%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.95%	97.95%
	NYSPPRS Pension Plan Last 10 Fiscal Years*				
	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
Village's proportion of the net pension asset/(liability)	0.025779%	0.027102%	0.027553%	0.024631%	0.024631%
Village's proportionate share of the net pension asset/(liability)	(260,558)	(561,728)	(815,781)	(67,800)	(102,532)
Village's covered-employee payroll	822,814	741,641	1,125,705	1,326,444	1,089,706
Village's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-31.67%	-75.74%	-72.47%	-5.11%	-9.41%
Plan fiduciary net position as a percentage of the total pension liability	96.93%	93.50%	90.20%	99.00%	99.00%

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that this statement was implemented for the year ended May 31, 2016, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

See paragraph on supplementary schedules included in auditor's report

**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS
FOR THE YEAR ENDED MAY 31, 2018**

NYSERS Pension Plan Last 10 Fiscal Years*					
	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
Contractually required contribution	\$ 146,903	\$ 156,740	\$ 181,653	\$ 197,248	\$ 222,957
Contributions in relation to the contractually required contribution	<u>146,903</u>	<u>156,740</u>	<u>181,653</u>	<u>197,248</u>	<u>222,957</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	1,034,811	1,008,834	941,388	983,974	1,027,410
Contributions as a percentage of its covered-employee payroll	14.20%	15.54%	19.30%	20.05%	21.70%
NYSPPRS Pension Plan Last 10 Fiscal Years*					
	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
Contractually required contribution	\$ 186,465	\$ 198,827	\$ 207,099	\$ 193,477	\$ 193,409
Contributions in relation to the contractually required contribution	<u>186,465</u>	<u>198,827</u>	<u>207,099</u>	<u>193,477</u>	<u>193,409</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	822,814	741,641	1,125,705	1,326,444	1,089,706
Contributions as a percentage of its covered-employee payroll	22.66%	26.81%	18.40%	14.59%	17.75%

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that this statement was implemented for the year ended May 31, 2016, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

See paragraph on supplementary schedules included in auditor's report.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF CHANGES IN THE VILLAGE'S TOTAL LOSAP LIABILITY
FOR THE YEAR ENDED MAY 31, 2018

	<u>05/31/18</u>	<u>05/31/17</u>
<u>Total OPEB Liability</u>		
Service cost	\$ 32,210	N/A
Interest	46,525	N/A
Changes of benefit terms	182,274	N/A
Differences between expected and actual experience	43,981	N/A
Changes in assumptions or other inputs	(50,579)	N/A
Benefit payments	<u>(36,045)</u>	<u>N/A</u>
Net change in total OPEB liability	218,366	N/A
Total OPEB liability-beginning	<u>1,332,301</u>	<u>N/A</u>
Total OPEB liability-ending	<u>\$ 1,550,667</u>	<u>\$ 1,332,301</u>

Notes to Schedule:

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

5/31/18 (5/31/17 Measurement Date)	3.57%
5/31/17 (5/31/16 Measurement Date)	3.54%

* GASB 73 requires that the past 10 years of information be presented. Due to the fact that this statement was implemented for the year ended May 31, 2018, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 73.

See paragraph on supplementary schedules included in auditor's report.

VILLAGE OF HIGHLAND FALLS
 HIGHLAND FALLS, NEW YORK
 STATEMENT OF INDEBTEDNESS
 FOR THE YEAR ENDED MAY 31, 2018

	DATE OF ORIGINAL ISSUE	MATURITY	INTEREST RATE	OUTSTANDING BEGINNING OF FISCAL YEAR	ISSUED DURING YEAR	PAID DURING YEAR	OUTSTANDING END OF YEAR	AMOUNT OF INTEREST PAID DURING FISCAL YEAR	ACCRUED INTEREST DUE 05/31/18 FISCAL YEAR	DUE WITHIN ONE YEAR
NOTES										
	3/6/2015	3/1/2019	1.85%	730,000	0	280,000	450,000	11,534	1,962	450,000
Various Purpose 2015										
CAPITAL LEASE										
	9/26/2017	12/18/2019	5.50%	0	72,731	25,000	47,731	0	1,777	22,577
Police Vehicles										
SERIAL BONDS										
	3/13/2003	10/15/2032	Various	445,000	0	25,000	420,000	8,233	2,181	25,000
Backwash/Screw Pumps - EFC										
	8/1/2009	8/1/2035	Various	2,620,000	0	95,000	2,525,000	122,194	39,432	100,000
2009 Bond - Various Purposes										
	5/1/2012	7/1/2035	Various	2,075,000	0	255,000	1,820,000	60,638	22,588	250,000
2012 Refinancing										
	3/2/2016	3/1/2025	Various	230,000	0	30,000	200,000	3,863	891	30,000
2016 Road Improvements										
TOTAL DEBT				6,100,000	72,731	710,000	5,462,731	206,462	68,830	877,577

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED MAY 31, 2018

Capital Assets, Net		\$ 12,093,581
Deduct:		
Bond Anticipation Notes	\$ 450,000	
Short-Term Portion of Bonds Payable	405,000	
Short-Term Portion of Capital Lease Payable	22,577	
Long-Term Portion of Bonds Payable	4,560,000	
Long-Term Portion of Capital Lease Payable	25,154	
Less: Unspent Bond Proceeds	<u>(358,890)</u>	
		<u>5,103,841</u>
		<u><u>\$ 6,989,740</u></u>

See paragraph on supplemental schedules in auditor's report.

**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF CAPITAL PROJECTS
FOR THE YEAR ENDED MAY 31, 2018**

Project	Expenditures			Methods of Financing				Fund Balance (Deficit) May 31, 2018
	Prior Year	Current Year	Total	Proceeds of Obligations	State and Federal Aid	Local Sources	Totals	
Water Tank Painting	\$ 866,751	0	\$ 866,751	\$ 0	0	\$ 500,000	\$ 500,000	\$ (366,751)
DPW Garage Improvements	34,790	0	34,790	0	0	35,000	35,000	210
North End Drainage	188,878	0	188,878	0	0	262,484	262,484	73,606
Oak/Mearns Drainage	1,515,921	0	1,515,921	1,620,000	0	124,663	1,744,663	228,742
Village Hall Repairs	72,399	0	72,399	0	0	85,000	85,000	12,601
Sewer Plant Repairs	701,659	2,897	704,556	0	0	700,000	700,000	(4,556)
Various Street Paving	1,248,508	0	1,248,508	692,500	42,721	512,001	1,247,222	(1,286)
Eagle Valley Bridge	39,578	0	39,578	0	23,800	5,525	29,325	(10,253)
Police Vehicles	0	72,731	72,731	72,731	0	0	72,731	0
	<u>\$ 4,668,484</u>	<u>\$ 75,628</u>	<u>\$ 4,744,112</u>	<u>\$ 2,385,231</u>	<u>\$ 66,521</u>	<u>\$ 2,224,673</u>	<u>\$ 4,676,425</u>	<u>\$ (67,687)</u>

See paragraph on supplemental schedule in auditor's report

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/
PROGRAM OR CLUSTER TITLE

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Section 8 Housing Choice Vouchers

TOTALS U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

TOTAL EXPENDITURES OF FEDERAL AWARDS

The accompanying notes are an integral part of the schedule.

<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
14.871	N/A	<u>803,127</u> <u>803,127</u>
		<u>\$ 803,127</u>

The accompanying notes are an integral part of the schedule.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2018

NOTE 1. BASIS OF PRESENTATION.

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the Village, which is described in Note 1 to the Village's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Because the schedule of expenditures of federal awards presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, change in net position, or cash flow of the Village.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The Village's policy is not to charge federal award programs with indirect costs.

Matching costs (the Village's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the Village's financial reporting system.

NOTE 2. OTHER DISCLOSURES.

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the Village's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.