

**VILLAGE OF HIGHLAND FALLS  
HIGHLAND FALLS, NEW YORK  
AUDIT REPORT  
FOR THE YEAR ENDED  
MAY 31, 2020**

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**MAY 31, 2020**  
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## 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 of the Village of Highland Falls, as of and for the year ended May 31, 2020, 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.

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Julia R. Fraino, CPA  
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Patrick M. Bullis, CPA  
Justin B. Wood, CPA

Richard P. Capicchioni, CPA  
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**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 of the Village of Highland Falls, as of May 31, 2020, 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.

**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 73 through 79 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 80 through 82 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 80 through 82, 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 80 through 82 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 March 29, 2021 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.

*Mugant & Hausler, P.C.*

Montgomery, New York  
March 29, 2021

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**MAY 31, 2020**

The following is a discussion and analysis of the Village of Highland Falls' financial performance for the year ended May 31, 2020. 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 liabilities and deferred inflows of the Village of Highland Falls exceeded its assets and deferred outflows at the close of the fiscal years 2020 and 2019 by \$5,054,058 and \$5,329,180 (net position) respectively. The net position at May 31, 2020 reflects an increase of \$275,122.
- Revenue, as reflected in the governmental funds statement, increased by \$626,229. This increase is primarily attributable to the increases in Miscellaneous and 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 \$3,915,651 an increase of \$54,697 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$944,908 at 16.80% of the total general fund expenditures.

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**MAY 31, 2020**

**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, 2020**

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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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, 2020**

**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, 2020**

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 a deficit of \$5,054,058. This is a \$275,122 improvement from last year's deficit net position of \$5,329,180. The following table provides a summary of the Village's net position:

<b>Condensed Statement of Net Position</b>	<b>2020</b>	<b>2019</b>	<b>Total Dollar Change</b>
Current Assets	\$ 4,490,608	\$ 4,344,258	\$ 146,350
Non-Current Assets	12,902,143	11,861,564	1,040,579
<b>Total Assets</b>	<b>17,392,751</b>	<b>16,205,822</b>	<b>1,186,929</b>
<b>Deferred Outflows</b>	<b>2,554,262</b>	<b>766,012</b>	<b>1,788,250</b>
Current Liabilities	633,860	546,397	87,463
Non-Current Liabilities	23,427,481	21,343,746	2,083,735
<b>Total Liabilities</b>	<b>24,061,341</b>	<b>21,890,143</b>	<b>2,171,198</b>
<b>Deferred Inflows</b>	<b>939,730</b>	<b>410,871</b>	<b>528,859</b>
Net Investment in Capital Assets	8,476,474	7,333,875	1,142,599
Restricted	2,327,633	2,425,472	(97,839)
Unrestricted	(15,858,165)	(15,088,527)	(769,638)
<b>Total Net Position (Deficit)</b>	<b>\$ (5,054,058)</b>	<b>\$ (5,329,180)</b>	<b>\$ 275,122</b>

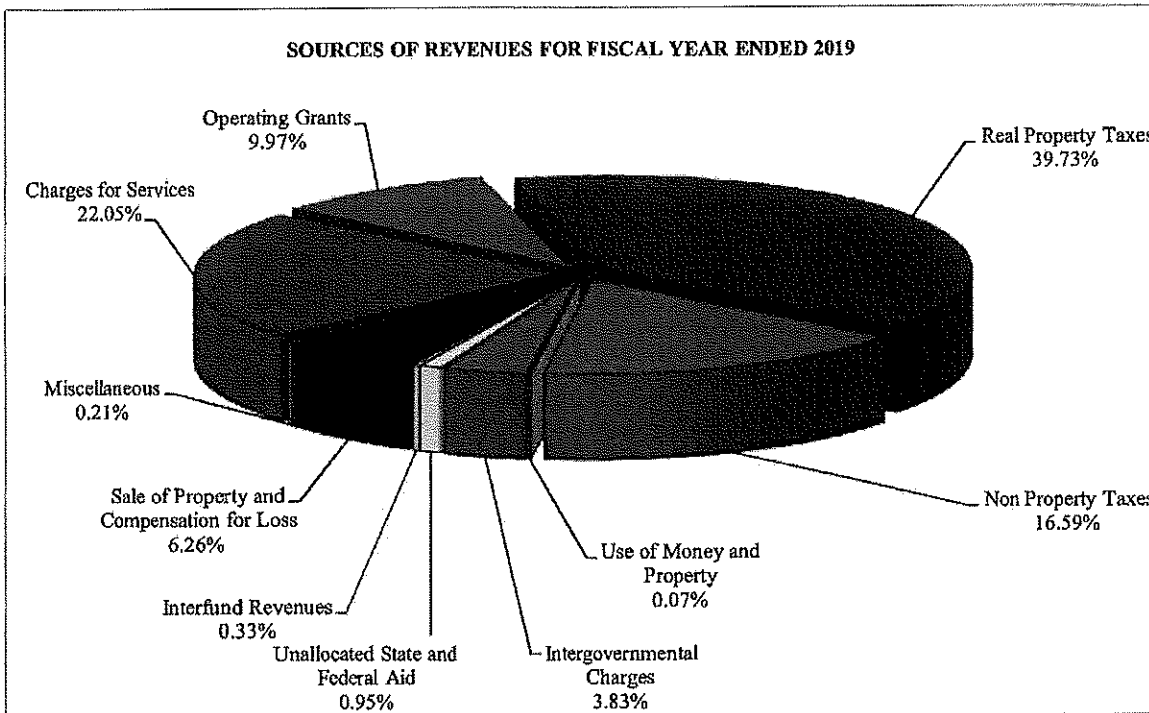
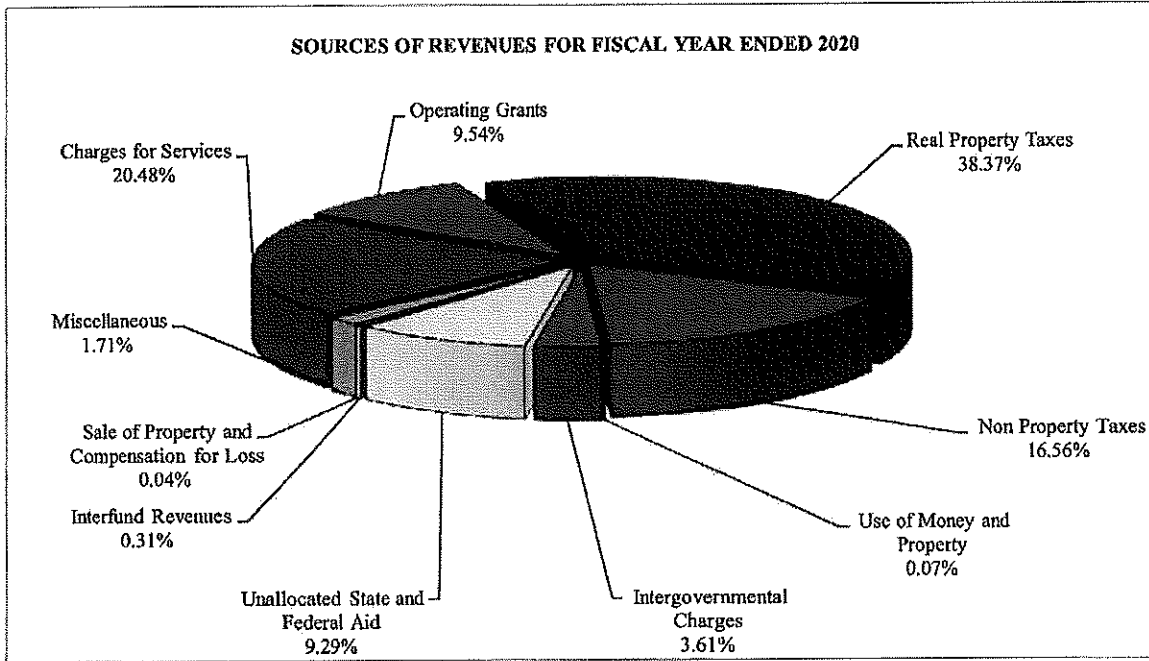
**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**SUMMARY OF CHANGES IN NET POSITION**

Figure A-3

	2020		2019		\$ Change	% Change
	Amount	%	Amount	%		
<b>REVENUES (Chart Figure A-4)</b>						
<b>PROGRAM REVENUES</b>						
Charges for Services	\$ 1,711,154	20.48%	\$ 1,760,559	22.05%	\$ (49,405)	-2.81%
Operating Grants	797,165	9.54%	796,272	9.97%	893	0.11%
<b>GENERAL REVENUES</b>						
Real Property Taxes	3,206,308	38.37%	3,172,196	39.73%	34,112	1.08%
Non Property Taxes	1,383,745	16.56%	1,324,592	16.59%	59,153	4.47%
Use of Money and Property	6,058	0.07%	5,824	0.07%	234	4.02%
Intergovernmental Charges	301,926	3.61%	306,138	3.83%	(4,212)	-1.38%
Unallocated State and Federal Aid	776,654	9.29%	75,460	0.95%	701,194	929.23%
Interfund Revenues	26,000	0.31%	26,000	0.33%	0	0.00%
Sale of Property and Compensation for Loss	3,606	0.04%	500,131	6.26%	(496,525)	-99.28%
Miscellaneous	143,102	1.71%	16,626	0.21%	126,476	760.71%
	<u>8,355,718</u>	<u>100.00%</u>	<u>7,983,798</u>	<u>100.00%</u>	<u>371,920</u>	<u>4.66%</u>
<b>EXPENDITURES (Chart Figure A-5)</b>						
General Government	1,177,039	14.57%	822,851	11.43%	354,188	43.04%
Public Safety	1,769,859	21.90%	1,302,996	18.10%	466,863	35.83%
Health	0	0.00%	50	0.00%	(50)	-100.00%
Transportation	262,139	3.24%	557,323	7.74%	(295,184)	-52.96%
Culture and Recreation	98,255	1.22%	104,964	1.46%	(6,709)	-6.39%
Home and Community Services	785,087	9.72%	791,836	11.00%	(6,749)	-0.85%
Water Utilities	450,125	5.57%	343,867	4.78%	106,258	30.90%
Sewer Utilities	559,058	6.92%	436,705	6.07%	122,353	28.02%
Interest on Debt	156,665	1.94%	189,681	2.63%	(33,016)	-17.41%
Employee Benefits	2,265,603	28.04%	2,135,003	29.65%	130,600	6.12%
Depreciation	556,765	6.89%	514,875	7.15%	41,890	8.14%
	<u>8,080,596</u>	<u>100.00%</u>	<u>7,200,151</u>	<u>100.00%</u>	<u>880,445</u>	<u>12.23%</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>\$ 275,122</u>		<u>\$ 783,647</u>		<u>\$ (508,525)</u>	

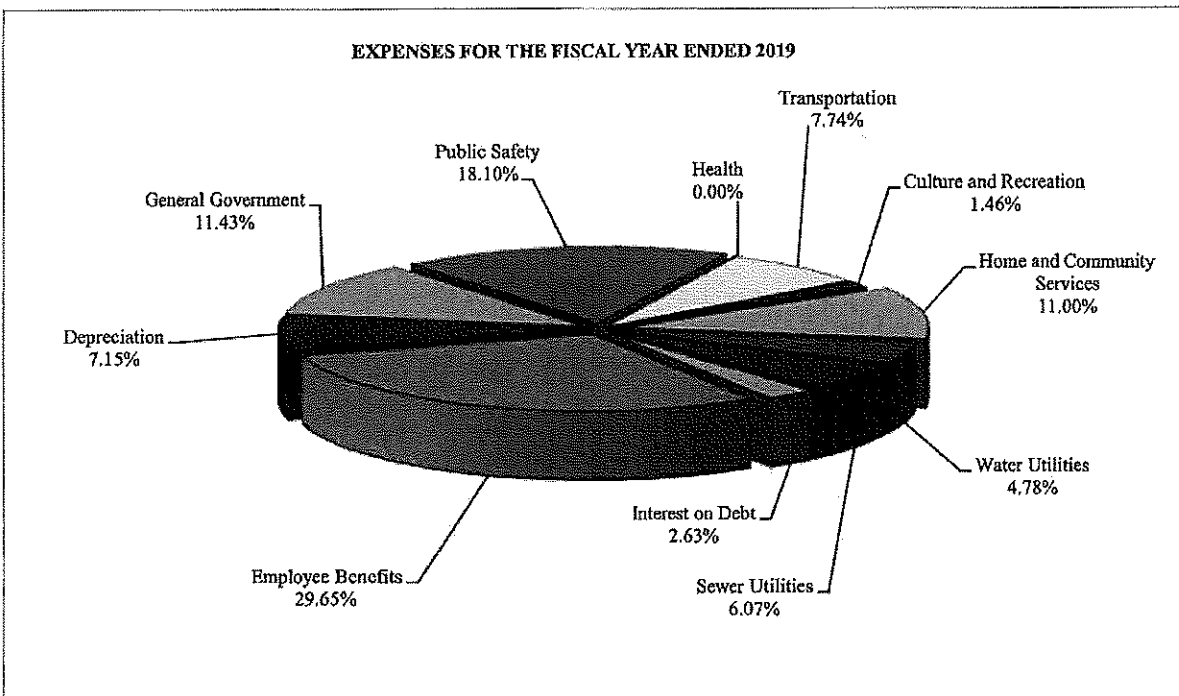
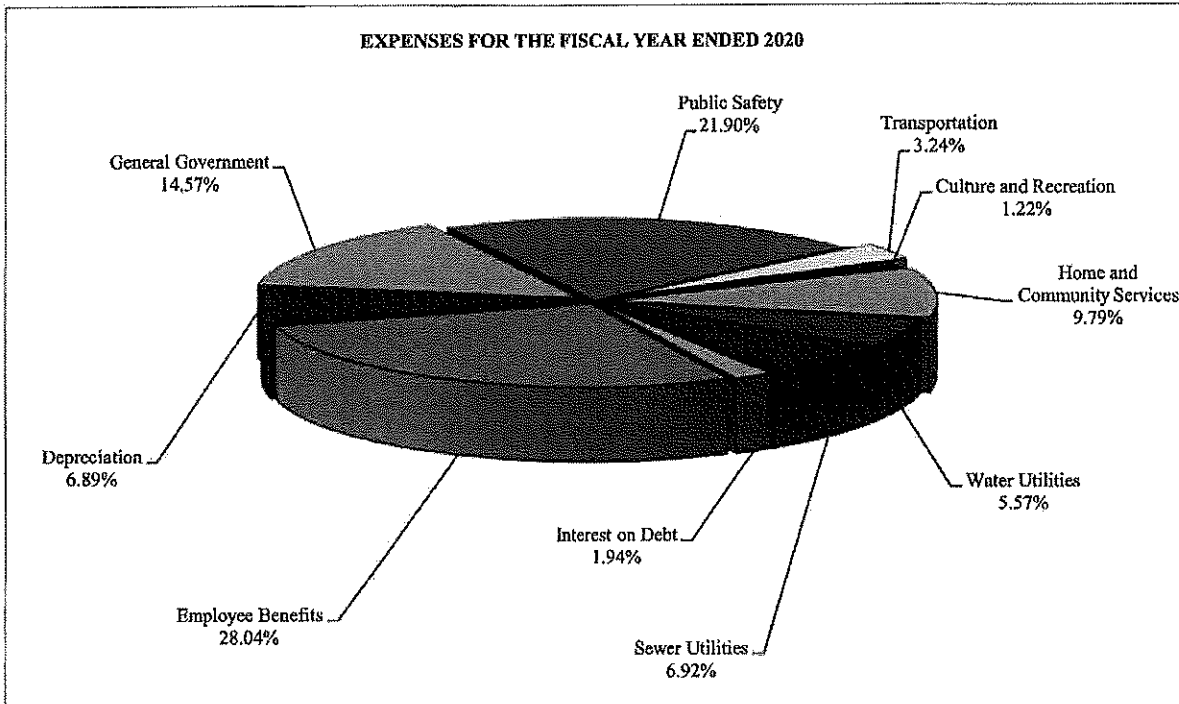
**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure A-4



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

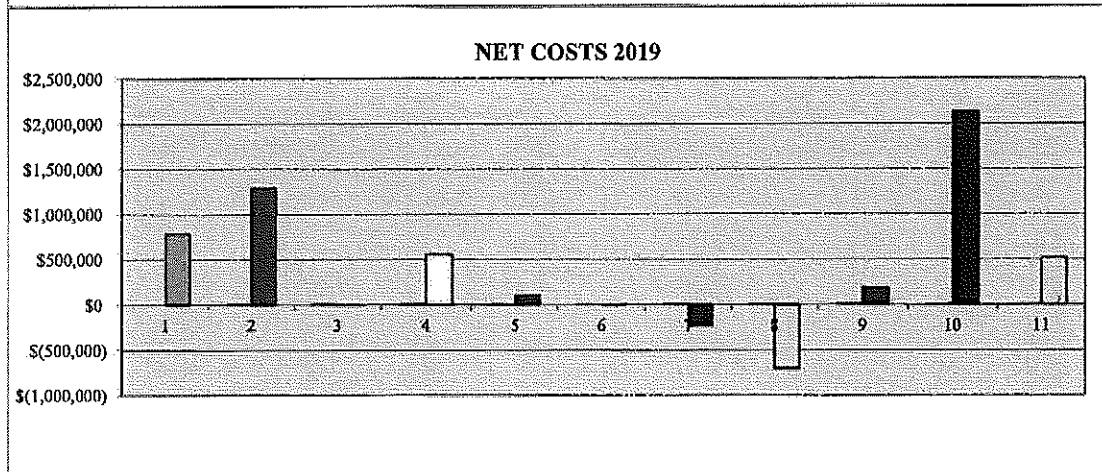
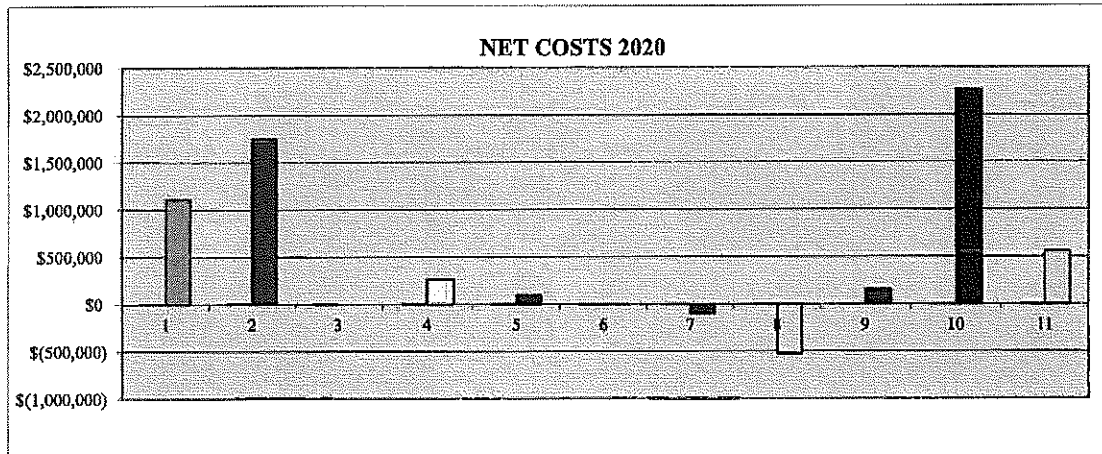
Figure A-5



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

Figure A-6

PROGRAMS		Total Costs of Services 2020	Net Costs of Services 2020	Total Costs of Services 2019	Net Costs of Services 2019
1	General Government	\$ 1,177,039	\$ 1,108,822	\$ 822,850	\$ 784,348
	Public Safety	1,769,859	1,750,553	1,302,996	1,292,633
3	Health	0	0	50	(1,514)
4	Transportation	262,139	262,139	557,323	557,323
	Culture and Recreation	98,255	98,255	104,964	104,964
6	Home and Community Services	785,087	1,351	791,836	3,227
	Water Utilities	450,125	(102,415)	343,867	(232,765)
8	Sewer Utilities	559,058	(525,462)	436,705	(704,456)
	Interest on Debt	156,665	156,665	189,681	189,681
	Employee Benefits	2,265,603	2,265,603	2,135,003	2,135,003
11	Depreciation	556,765	556,765	514,875	514,875
<b>Total Costs</b>		<b>\$ 8,080,596</b>	<b>\$ 5,572,277</b>	<b>\$ 7,200,150</b>	<b>\$ 4,643,319</b>



**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**MAY 31, 2020**

**Figure A-6 (Continued)**

Total costs of services provided by the Village (Figure A-6) for the fiscal years ended May 31, 2020 and 2019 were \$8,080,596 and \$7,200,150, respectively. These charges were offset by charges and services of \$1,711,154, and grants and contributions of \$797,165, resulting in net cost of services of \$5,572,277 for the year ended May 31, 2020. This is a \$928,958 increase over last year's total net costs of \$4,643,319.

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, 2020		
	Restricted	Assigned	Unassigned
General	\$ 328,586	\$ 579,545	\$ 944,908
Capital Projects	177,231	0	0
Water	887,650	0	0
Sewer	934,166	0	0
Community Development	0	63,565	0
	<u>\$ 2,327,633</u>	<u>\$ 643,110</u>	<u>\$ 944,908</u>
	May 31, 2019		
	Restricted	Assigned	Unassigned
General	\$ 225,019	\$ 403,396	\$ 982,658
Capital Projects	472,293	0	0
Water	840,506	0	0
Sewer	887,654	0	0
Community Development	0	49,428	0
	<u>\$ 2,425,472</u>	<u>\$ 452,824</u>	<u>\$ 982,658</u>



**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**MAY 31, 2020**

**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 \$1,135,844 and actual expenditures were more than budgeted expenditures by \$299,963. Figure A-8 summarizes the general funds original and revised budgets, actual expenditures and the variances for the year ended May 31, 2020.

Figure A-8

Condensed Budgetary Comparison General Fund	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Real property taxes	\$ 3,186,171	\$ 3,186,171	\$ 3,186,171	\$ 0
Real property tax items	15,000	15,000	20,138	5,138
Non property taxes	1,291,000	1,291,000	1,383,745	92,745
State and Federal Aid	80,000	130,000	790,083	660,083
Departmental income	26,000	30,876	28,121	(2,755)
All other	77,250	93,750	474,383	380,633
<b>Total Revenues</b>	<b>\$ 4,675,421</b>	<b>\$ 4,746,797</b>	<b>\$ 5,882,641</b>	<b>\$ 1,135,844</b>
<b>Other financing sources</b>	<b>\$ 516,996</b>	<b>\$ 579,273</b>	<b>\$ 162,278</b>	
<b>EXPENDITURES</b>				
General government support	\$ 982,156	\$ 983,103	\$ 1,148,882	\$ (165,779)
Public safety	1,606,859	1,589,837	1,497,331	92,506
Health	1,000	1,000	0	1,000
Transportation	729,927	744,927	1,092,290	(347,363)
Culture & recreation	109,300	221,577	98,106	123,471
Home & community service	24,000	24,000	15,063	8,937
Employee benefits	1,408,199	1,408,199	1,420,934	(12,735)
Debt service	330,976	353,427	353,427	0
<b>Total Expenditures</b>	<b>\$ 5,192,417</b>	<b>\$ 5,326,070</b>	<b>\$ 5,626,033</b>	<b>\$ (299,963)</b>

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**MAY 31, 2020**

**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 Note 1 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 2020, the Village expended \$1,597,344 on capital additions. Figure A-9 reflects the changes in net capital assets.

**Figure A-9**

Changes in Net Capital Assets	Governmental Activities		Total
	2020	2019	Dollar Change
Land	\$ 483,311	\$ 483,311	\$ 0
Land Improvements	101,077	132,671	(31,594)
Construction	4,075,323	4,177,394	(102,071)
Infrastructure	7,689,493	6,478,462	1,211,031
Machinery and Equipment	243,558	227,051	16,507
Vehicles	309,381	362,675	(53,294)
<b>Total</b>	<b>\$ 12,902,143</b>	<b>\$ 11,861,564</b>	<b>\$ 1,040,579</b>

Major additions in 2020 included:

Infrastructure	\$ 1,530,216
Machinery and Equipment	67,128
<b>Total</b>	<b><u>\$ 1,597,344</u></b>

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**MAY 31, 2020**

**DEBT ADMINISTRATION**

Debt, both short-term and long-term, decreased by \$440,154 during 2020.

Other Postemployment Benefits increased by \$733,604 during 2020.

The Length of Service Award Program liability increased by \$156,294 during 2020.

The Village's liability for compensated absences increased by \$33,480 during 2020.

Detailed information regarding the Village's short and long-term liabilities are presented in more detail in Notes 6 and 7 in the current year's notes to the financial statements. Figure A-10 reflects the changes in the Village's debt for 2020.

**Figure A-10**

<b>Outstanding Debt</b>	<b>Governmental Activities</b>		<b>Total</b>
	<b>2020</b>	<b>2019</b>	<b>Dollar Change</b>
Bond Anticipation Notes	\$ 335,000	\$ 300,000	\$ 35,000
Serial Bonds	4,110,000	4,560,000	(450,000)
Capital Lease Payable	0	25,154	(25,154)
Net Pension Liability - Proportionate Share	2,100,939	703,843	1,397,096
Net Pension Liability - LOSAP	1,918,553	1,762,259	156,294
Other Postemployment Benefits	14,836,508	14,102,904	733,604
Compensated Absences	223,066	189,586	33,480
<b>Total</b>	<b>\$ 23,524,066</b>	<b>\$ 21,643,746</b>	<b>\$ 1,880,320</b>

**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, 2020**

**ASSETS**

Unrestricted Cash	\$ (188,675)
Restricted Cash	3,742,956
Accounts Receivable, net	235,750
State and Federal Aid Receivable	694,012
Due from Fiduciary Funds	6,565
Non Depreciable Capital Assets	483,311
Depreciable Capital Assets, Net	12,418,832
<b>TOTAL ASSETS</b>	<b><u>17,392,751</u></b>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	1,334,512
Other Postemployment Benefits	866,359
LOSAP	353,391
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>2,554,262</u></b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>19,947,013</u></b>

**LIABILITIES**

<b>Current Liabilities:</b>	
Accounts Payable	185,312
Accrued Liabilities	58,903
Due to Employees' Retirement System	54,645
Bond Anticipation Notes Payable	335,000
<b>Long-Term Liabilities:</b>	
Due and Payable Within One Year:	
Bonds Payable (including unamortized bond premium of \$15,894)	285,894
Due and Payable More Than One Year:	
Bonds Payable (including unamortized bond premium of \$222,521)	4,062,521
Net Pension Liability - Proportionate Share	2,100,939
Other Postemployment Benefits Payable	14,836,508
Net Pension Liability - LOSAP	1,918,553
Compensated Absences	223,066
<b>TOTAL LIABILITIES</b>	<b><u>24,061,341</u></b>

**DEFERRED INFLOWS OF RESOURCES**

Pensions	199,997
Other Postemployment Benefits	631,197
LOSAP	108,536
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>939,730</u></b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b><u>25,001,071</u></b>

**NET POSITION**

Net Investment in Capital Assets	8,476,474
Restricted	2,327,633
Unrestricted (Deficit)	(15,858,165)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b><u>\$ (5,054,058)</u></b>

See notes to financial statements.

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MAY 31, 2020**

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
				Governmental Activities
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities:				
General Government	\$ (1,532,531)	\$ 68,217	\$ 0	\$ (1,464,314)
Public Safety	(3,137,515)	5,877	13,429	(3,118,209)
Transportation	(600,867)	0	0	(600,867)
Culture and Recreation	(101,933)	0	0	(101,933)
Home and Community Services	(1,013,120)	0	783,736	(229,384)
Water Utilities	(668,140)	552,540	0	(115,600)
Sewer Utilities	(869,825)	1,084,520	0	214,695
Interest on Debt	(156,665)	0	0	(156,665)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ (8,080,596)</b>	<b>\$ 1,711,154</b>	<b>\$ 797,165</b>	<b>(5,572,277)</b>

<b>GENERAL REVENUES</b>	3,186,170
Real Property Taxes	20,138
Real Property Tax Items	1,383,745
Non Property Taxes	6,058
Use of Money and Property	301,926
Intergovernmental Charges	776,654
Unallocated State and Federal Aid	26,000
Interfund Revenues	3,606
Sale of Property and Compensation for Loss	143,102
Miscellaneous	5,847,399
<b>TOTAL GENERAL REVENUES</b>	<b>275,122</b>
<b>CHANGE IN NET POSITION</b>	
<b>NET POSITION - BEGINNING (DEFICIT)</b>	<b>(5,329,180)</b>
<b>NET POSITION - ENDING (DEFICIT)</b>	<b>\$ (5,054,058)</b>

See notes to financial statements.

**VILLAGE OF HIGHLAND FALLS  
HIGHLAND FALLS, NEW YORK  
BALANCE SHEET - GOVERNMENTAL FUNDS  
MAY 31, 2020**

	General	Community Development	Water	Sewer	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Unrestricted Cash	\$ 1,295,325	\$ 63,565	\$ 0	\$ 0	\$ 0	\$ 1,358,890
Restricted Cash	328,586	0	736,653	802,921	327,231	2,195,391
Accounts Receivable, Net	9,777	0	132,774	93,199	0	235,750
Due from Other Funds	6,565	0	62,569	102,615	185,000	356,749
State and Federal Aid Receivable	694,012	0	0	0	0	694,012
<b>TOTAL ASSETS</b>	<b>\$ 2,334,265</b>	<b>\$ 63,565</b>	<b>\$ 931,996</b>	<b>\$ 998,735</b>	<b>\$ 512,231</b>	<b>\$ 4,840,792</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 83,965	\$ 0	\$ 41,035	\$ 60,312	\$ 0	\$ 185,312
Due to Other Funds	350,184	0	0	0	0	350,184
Due to Employees' Retirement System	47,077	0	3,311	4,257	0	54,645
Bond Anticipation Notes Payable	0	0	0	0	335,000	335,000
<b>TOTAL LIABILITIES</b>	<b>481,226</b>	<b>0</b>	<b>44,346</b>	<b>64,569</b>	<b>335,000</b>	<b>925,141</b>
<b>FUND BALANCES</b>						
Restricted	328,586	0	887,650	934,166	177,231	2,327,633
Assigned	579,545	63,565	0	0	0	643,110
Unassigned	944,908	0	0	0	0	944,908
<b>TOTAL FUND BALANCES</b>	<b>1,853,039</b>	<b>63,565</b>	<b>887,650</b>	<b>934,166</b>	<b>177,231</b>	<b>3,915,651</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,334,265</b>	<b>\$ 63,565</b>	<b>\$ 931,996</b>	<b>\$ 998,735</b>	<b>\$ 512,231</b>	<b>\$ 4,840,792</b>

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, 2020**

	Total Governmental Funds	Long-Term Assets Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>ASSETS</b>				
Unrestricted Cash	\$ 1,358,890	\$ 0	\$ (1,874,796)	\$ (515,906)
Restricted Cash	2,195,391	0	1,874,796	4,070,187
Slate & Federal Aid Receivable	694,012	0	0	694,012
Due from Other Funds	356,749	0	(356,749)	0
Due from Fiduciary Funds	0	0	6,565	6,565
Other Receivables, Net	235,750	0	0	235,750
Capital Assets, Net	0	12,902,143	0	12,902,143
<b>TOTAL ASSETS</b>	<b>4,840,792</b>	<b>12,902,143</b>	<b>(350,184)</b>	<b>17,392,751</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	0	1,334,512	0	1,334,512
Other Postemployment Benefits	0	866,359	0	866,359
LOSAP	0	353,391	0	353,391
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0</b>	<b>2,554,262</b>	<b>0</b>	<b>2,554,262</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,840,792</b>	<b>\$ 15,456,405</b>	<b>\$ (350,184)</b>	<b>\$ 19,947,013</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 185,312	\$ 0	\$ 0	\$ 185,312
Accrued Liabilities	0	58,903	0	58,903
Bond Anticipation Notes Payable	335,000	0	0	335,000
Bond Payable	0	4,348,415	0	4,348,415
Due to Other Funds	350,184	0	(350,184)	0
Due to Employees' Retirement System	54,645	0	0	54,645
Net Pension Liability - Proportionate Share	0	2,100,939	0	2,100,939
Other Postemployment Benefits Payable	0	14,836,508	0	14,836,508
Net Pension Liability - LOSAP	0	1,918,553	0	1,918,553
Compensated Absences Payable	0	223,066	0	223,066
<b>TOTAL LIABILITIES</b>	<b>925,141</b>	<b>23,486,384</b>	<b>(350,184)</b>	<b>24,061,341</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	0	199,997	0	199,997
Other Postemployment Benefits	0	631,197	0	631,197
LOSAP	0	108,536	0	108,536
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>0</b>	<b>939,730</b>	<b>0</b>	<b>939,730</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>925,141</b>	<b>24,426,114</b>	<b>(350,184)</b>	<b>25,001,071</b>
<b>TOTALS FUND EQUITY/NET POSITION</b>	<b>3,915,651</b>	<b>(8,969,709)</b>	<b>0</b>	<b>(5,054,058)</b>
<b>TOTAL LIABILITIES AND FUND EQUITY/NET POSITION</b>	<b>\$ 4,840,792</b>	<b>\$ 15,456,405</b>	<b>\$ (350,184)</b>	<b>\$ 19,947,013</b>

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, 2020**

	General	Community Development	Water	Sewer	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real Property Taxes	\$ 3,186,170	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,186,170
Real Property Tax Items	20,138	0	0	0	0	20,138
Non Property Tax Items	1,383,745	0	0	0	0	1,383,745
Departmental Income	28,121	0	552,540	1,084,520	0	1,665,181
Intergovernmental Charges	0	0	300,433	1,493	0	301,926
Use of Money and Property	4,430	0	813	811	4	6,058
Licenses and Permits	34,950	0	0	0	0	34,950
Fines and Forfeitures	11,023	0	0	0	0	11,023
Sale of Property and Compensation for Loss	2,066	0	1,540	0	0	3,606
Interfund Revenue	26,000	0	0	0	0	26,000
Miscellaneous	395,915	0	0	0	0	397,411
State and Federal Aid	790,083	783,736	1,471	25	0	1,573,819
<b>TOTAL REVENUES</b>	<b>5,882,641</b>	<b>783,736</b>	<b>856,797</b>	<b>1,085,849</b>	<b>4</b>	<b>8,610,027</b>
<b>EXPENDITURES</b>						
General Government Support	1,148,882	0	45,769	7,610	0	1,202,261
Public Safety	1,497,331	0	0	0	0	1,497,331
Transportation	1,092,290	0	0	0	0	1,092,290
Culture and Recreation	98,106	0	0	0	0	98,106
Home and Community Service	15,063	769,599	416,511	520,184	0	1,721,357
Employee Benefits	1,420,934	0	82,957	145,403	0	1,649,294
Capital Outlay	0	0	0	0	642,788	642,788
Debt Service	333,427	0	239,416	32,140	0	624,983
<b>TOTAL EXPENDITURES</b>	<b>5,626,033</b>	<b>769,599</b>	<b>784,653</b>	<b>705,337</b>	<b>642,788</b>	<b>8,528,410</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from Advanced Refunding	2,140,000	0	0	0	0	2,140,000
Payments to Escrow Agent	(2,316,920)	0	0	0	0	(2,316,920)
BANS Redeemed from Appropriations	0	0	0	0	150,000	150,000
Operating Transfers In	162,278	0	25,000	0	285,000	472,278
Operating Transfers Out	0	0	(50,000)	(335,000)	(87,278)	(472,278)
<b>TOTAL FINANCING SOURCES (USES)</b>	<b>(14,642)</b>	<b>0</b>	<b>(25,000)</b>	<b>(335,000)</b>	<b>347,722</b>	<b>(26,920)</b>
<b>CHANGE IN NET ASSETS</b>	241,966	14,137	47,144	46,512	(295,062)	54,697
<b>NET ASSETS - BEGINNING</b>	1,611,073	49,428	840,506	887,654	472,293	3,860,954
<b>NET ASSETS - ENDING</b>	<b>\$ 1,853,039</b>	<b>\$ 63,565</b>	<b>\$ 887,650</b>	<b>\$ 934,166</b>	<b>\$ 177,231</b>	<b>\$ 3,915,651</b>

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, 2020**

	Total Governmental Funds	Long-Term Revenue and Expenses	Capital Related Items	Long-Term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Totals
<b>REVENUES</b>						
Real Property Taxes	\$ 3,186,170	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,186,170
Real Property Tax Items	20,138	0	0	0	0	20,138
Non Property Tax Items	1,383,745	0	0	0	0	1,383,745
Departmental Income	1,665,181	0	0	0	0	1,665,181
Intergovernmental Charges	301,926	0	0	0	0	301,926
Use of Money and Property	6,058	0	0	0	0	6,058
Licenses and Permits	34,950	0	0	0	0	34,950
Fines and Forfeitures	11,023	0	0	0	0	11,023
Sale of Property and Compensation for Loss	3,606	0	0	0	0	3,606
Interfund Revenue	26,000	0	0	0	0	26,000
Miscellaneous	397,411	0	0	(254,309)	0	143,102
State and Federal Aid	1,573,819	0	0	0	0	1,573,819
<b>TOTAL REVENUES</b>	<b>8,610,027</b>	<b>0</b>	<b>0</b>	<b>(254,309)</b>	<b>0</b>	<b>8,355,718</b>
<b>EXPENDITURES</b>						
General Government Support	1,202,261	4,677	38,974	0	286,619	1,532,531
Public Safety	1,497,331	18,236	133,624	0	1,488,324	3,137,515
Transportation	1,092,290	4,101	61,244	0	(556,768)	600,867
Culture and Recreation	98,106	13	2,784	0	1,031	101,933
Home and Community Service	1,721,357	38	225,490	0	(933,765)	1,013,120
Water Utilities	0	2,975	16,703	0	648,462	668,140
Sewer Utilities	0	3,440	77,947	0	788,438	869,825
Employee Benefits	1,649,294	1,027,603	0	0	(2,676,897)	0
Capital Outlay	642,788	0	(1,597,344)	0	954,556	0
Debt Service	624,983	(4,190)	(1,040,579)	(464,128)	0	156,665
<b>TOTAL EXPENDITURES</b>	<b>8,528,410</b>	<b>1,056,893</b>	<b>(1,040,579)</b>	<b>(464,128)</b>	<b>0</b>	<b>8,080,596</b>
Excess (Deficiency) of Revenues Over Expenditures	81,617	(1,056,893)	1,040,579	209,819	0	275,122
<b>OTHER SOURCES (USES):</b>						
Proceeds from Advanced Refunding	2,140,000	0	0	(2,140,000)	0	0
Payments to Escrow Agent	(2,316,920)	0	0	2,316,920	0	0
Operating Transfers In	472,278	0	0	0	(472,278)	0
Operating Transfers Out	(472,278)	0	0	0	472,278	0
Bond Anticipation Notes Redeemed from Appropriations	150,000	0	0	(150,000)	0	0
<b>TOTAL OTHER SOURCES (USES)</b>	<b>(26,920)</b>	<b>0</b>	<b>0</b>	<b>26,920</b>	<b>0</b>	<b>0</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ 54,697</b>	<b>\$ (1,056,893)</b>	<b>\$ 1,040,579</b>	<b>\$ 236,739</b>	<b>\$ 0</b>	<b>\$ 275,122</b>

See notes to financial statements.

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**MAY 31, 2020**

	<u>AGENCY FUNDS</u>
<b>ASSETS</b>	
Cash	\$ 306,816
Investment in Service Award Program Provider	<u>1,076,133</u>
 TOTAL ASSETS	 <u>\$ 1,382,949</u>
 <b>LIABILITIES</b>	
Due to Other Funds	\$ 6,565
Other Liabilities	300,251
Service Award Program Payable	<u>1,076,133</u>
 TOTAL LIABILITIES	 <u>\$ 1,382,949</u>

See notes to financial statements.

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**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.

The Village follows GASB 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, 2020**

**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, 2020**

**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**  
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**MAY 31, 2020**

**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.

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**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**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**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**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 inventoriable 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.



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**MAY 31, 2020**

**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**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**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 \$299,055 was paid from the General Fund on behalf of 18 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, 2020**

**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 four items that qualify for reporting in this category. The first item the Village reports deferred outflows of resources in the Statement of Net Position related to other postemployment benefits reported in the government-wide statements. For additional information on deferred outflows related to other postemployment benefits (Note 6). The second item related to the Village's LOSAP reported in the government-wide statements. For additional information on deferred outflows related to the Village's LOSAP (Note 11). The third item 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 (Note 7). Lastly is the Village contributions to the pension systems (PFRS and ERS Systems) subsequent to the measurement date. The fourth item is related to the deferred amount of a bond refunding (Note 6).

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 three items that qualify for reporting in this category. The first 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 (Note 7). The second item related to the Village's LOSAP reported in the government-wide statements. For additional information on deferred inflows related to the Village's LOSAP (Note 11). The third item is related to other postemployment benefits reported in the government-wide statements (Note 6).

**P. Risk Retention**

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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.

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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, 2020**

**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 \$328,586, \$62,127, and \$62,127, respectively.

Total Restricted balances at May 31, 2020 were as follows:

General Fund	\$ 328,586
Capital Fund	177,231
Water Fund	887,650
Sewer Fund	934,166
Total	<u>\$ 2,327,633</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, 2020.

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 \$579,545 assigned to be used to reduce the tax levy for the year ending May 31, 2021. 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 \$63,565.

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, 2020**

**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. GASB has issued Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the several pronouncements were postponed by one year.

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**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.

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	\$ 25,977,027
Accumulated Depreciation	<u>(13,074,884)</u>
Capital Assets, Net	<u>\$ 12,902,143</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, 2020	<u>\$ 58,903</u>
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**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**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)

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	\$ 4,110,000
Other Postemployment Benefits	14,836,508
Net Pension Liability – LOSAP	1,918,553
Compensated Absences	<u>223,066</u>
	<u>\$ 21,088,127</u>

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, 2020 were as follows:

Deferred Outflows of Resources – Pension	\$ 1,334,512
Net Pension Liability, Proportionate Share (ERS & PFRS)	(2,100,939)
Deferred Inflows of Resources – Pension	<u>(199,997)</u>
	<u>\$ (966,424)</u>



**VILLAGE OF HIGHLAND FALLS**  
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**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**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:

Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of six broad categories. The 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.
- 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.
- Pension Plan related differences occur as a result of changes in the Town’s proportion of the collective net pension asset/liability and differences between the Village’s contributions and its proportionate share of the total contributions to the pension system.
- Other Postemployment Benefit (OPEB) related differences occur as a result of changes in the Village’s total OPEB liability and differences between the Village’s contributions and OPEB expense.
- Length of Service Award Program (LOSAP) related differences occur as a result of changes in the Village’s total LOSAP liability and differences between the Village’s contributions and LOSAP expense.

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.

**VILLAGE OF HIGHLAND FALLS**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**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)

Total Revenue and Other Funding Sources:

Total revenues and other sources reported in Governmental Funds (Schedule #5)	\$ 10,900,027
Proceeds from Obligations	(2,140,000)
Premium on Obligations	(254,309)
BAN's redeemed from appropriations	(150,000)
Total Revenues in the Statement of Activities and Changes in Net Position (Schedule #2)	\$ 8,355,718

Total Expenditures and Other Uses/Expenses:

Total expenditures and other uses reported in Governmental Funds (Schedule #5)	\$ 10,845,330
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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 increased during the year. (Schedule #6)	33,480
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In the Statement of Activities, the expense for other postemployment benefits (OPEB) includes changes in the OPEB liability such as service cost, interest cost and changes in the benefit terms, as well as amortization of deferred outflows of resources and deferred inflows of resources related to OPEB. In the governmental funds, however, OPEB expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). This is the amount by which OPEB expense in the Statement of Activities exceeded the amount of financial resources used during the year (Schedule #6)	616,309
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**VILLAGE OF HIGHLAND FALLS**  
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**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**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)

<p>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)</p>	66,476
<p>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 \$1,597,344 is more than depreciation of \$556,765 in the current year. (Schedule #6)</p>	(1,040,579)
<p>(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 \$223,998 and ERS of \$120,820) (Schedule 6)</p>	344,818
<p>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)</p>	(4,190)
<p>Payments to Escrow Agent (Schedule #6)</p>	(2,316,920)
<p>The premium on obligations is recognized in the government-wide statements under full accrual accounting whereas it is not under the governmental fund statements. This is the amount of amortization recognized in the current year (Schedule #6)</p>	(18,974)
<p>Repayment of debt service principal is an expenditures 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)</p>	<u>(445,154)</u>
<p>Total expenses in the Statement of Activities and and Changes in Net Position (Schedule #2)</p>	<u><u>\$ 8,080,596</u></u>

**VILLAGE OF HIGHLAND FALLS**  
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**MAY 31, 2020**

**NOTE 3. 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, 2020, the carrying amount of the Village's deposits (cash, certificate of deposits, and interest-bearing savings accounts) was \$3,861,097 and the bank balance was \$4,149,697. The Village's deposits at May 31, 2020 were entirely covered by FDIC Insurance or by pledged collateral held by the Village's agent bank in the Village's name.

**NOTE 4. INTERFUND ACTIVITY**

Interfund receivables and payables at May 31, 2020, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 6,565	\$ 350,184
Water	62,569	0
Sewer	102,615	0
Capital	185,000	0
Trust & Agency	0	6,565
Total	<u>\$ 356,749</u>	<u>\$ 356,749</u>

Interfund transfers in and transfers out for the year ended May 31, 2020, were as follows:

<u>Fund</u>	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General	\$ 162,278	\$ 0
Water	25,000	50,000
Sewer	0	335,000
Capital	285,000	87,278
Total	<u>\$ 472,278</u>	<u>\$ 472,278</u>

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**NOTE 5. CAPITAL ASSETS**

Capital asset balances and activity for the year ended May 31, 2020, 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	10,992,225	1,530,216	0	12,522,441
Machinery & Equipment	4,008,688	67,128	0	4,075,816
Vehicles	2,141,042	0	0	2,141,042
Total Depreciable Historical Cost	<u>23,896,372</u>	<u>1,597,344</u>	<u>0</u>	<u>25,493,716</u>
Less Accumulated Depreciation:				
Land Improvements	413,450	31,594	0	445,044
Construction	2,030,902	102,071	0	2,132,973
Infrastructure	4,513,763	319,185	0	4,832,948
Machinery & Equipment	3,781,637	50,621	0	3,832,258
Vehicles	1,778,367	53,294	0	1,831,661
Total Accumulated Depreciation	<u>12,518,119</u>	<u>556,765</u>	<u>0</u>	<u>13,074,884</u>
Total Historical Cost, Net	<u>\$ 11,861,564</u>	<u>\$ 1,040,579</u>	<u>\$ 0</u>	<u>\$ 12,902,143</u>

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**NOTE 5. CAPITAL ASSETS (Continued)**

Depreciation was charged to governmental functions as follows:

General Government Support	\$ 38,974
Public Safety	133,624
Transportation	61,244
Culture and Recreation	2,784
Home and Community Services	225,490
Water Utilities	16,703
Sewer Utilities	<u>77,947</u>
Total Depreciation Expense	<u><u>\$ 556,765</u></u>

**NOTE 6. 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, 2020, two Bond Anticipation Note (BAN) were outstanding for a total amount of \$335,000. 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, 2020.

<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	1.57%	02/26/21	\$ 150,000
Drainage	11/05/19	185,000	1.89%	11/05/20	185,000
Total BAN's Payable					<u><u>\$ 335,000</u></u>

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**NOTE 6. LIABILITIES (Continued)**

**A. Short-Term Debt (Continued)**

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

Interest paid	\$ 7,890
Less: Interest accrued-prior year	(1,859)
Add: Interest accrued-current year	<u>2,500</u>
Total Short-Term Interest	<u><u>\$ 8,531</u></u>

**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, 2020, the total bond principal indebtedness outstanding of the Village of Highland Falls aggregated \$4,110,000.

The following is a summary of the Village's outstanding bonds for the year ending May 31, 2020.

<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	\$ 370,000
2019 Refunding	6/25/2019	2,140,000	Var.	5/31/2035	2,140,000
2012 Refinancing	5/1/2012	3,145,000	Var.	5/1/2035	1,460,000
2016 Public Improvements	3/2/2016	262,500	Var.	3/1/2025	<u>140,000</u>
Total Bonds Payable					<u><u>\$ 4,110,000</u></u>

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

Interest paid	\$ 171,939
Less: Interest accrued-prior year	(61,234)
Less: Current Year Amortization of Premium	(18,974)
Add: Interest accrued-current year	<u>56,403</u>
Total Long-Term Interest	<u><u>\$ 148,134</u></u>

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**NOTE 6. LIABILITIES (Continued)**

**A. Long-Term Debt (Continued)**

On June 25, 2019, the Town issued \$2,140,000 in general obligation bonds with an average interest rate of 3.64% to advance refund \$2,320,000 of outstanding serial bonds with an average interest rate of 4.75%. The net proceeds of \$2,319,984 (after payment of \$74,325 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from the Town's financial statements. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and the new debt) is approximately \$406,983.

The town defeased certain obligations and other bonds by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At May 31, 2020, \$2,320,000 of bonds outstanding are considered defeased.

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

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u>
<u>Governmental Activities</u>				
Serial Bonds*	\$ 4,560,000	\$ 2,394,309	\$ 2,605,894	\$ 4,348,415
Capital Lease Payable	25,154	0	25,154	0
Other liabilities:				
Other Postemployment Benefits	14,102,904	1,769,055	1,035,451	14,836,508
Net Pension Liability - LOSAP	1,762,259	156,294	0	1,918,553
Net Pension Liability - Proportionate Share	703,843	1,397,096	0	2,100,939
Compensated Absences	189,586	33,480	0	223,066
 Total Long-Term Liabilities	 <u>\$ 21,343,746</u>	 <u>\$ 5,750,234</u>	 <u>\$ 3,666,499</u>	 <u>\$ 23,427,481</u>

Activity for compensated absences and net pension liabilities are 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.

\*At May 31, 2020, the serial bonds include unamortized premium of \$238,415. This amount is being amortized over the life of the debt issue to which it relates.



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**NOTE 6. LIABILITIES (Continued)**

**A. Long-Term Debt (Continued)**

The following is a summary of maturing serial bond debt service requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 270,000	\$ 142,998	\$ 412,998
2022	280,000	134,176	414,176
2023	290,000	124,548	414,548
2024	300,000	113,441	413,441
2025	310,000	100,972	410,972
2026-2030	1,475,000	315,952	1,790,952
2031-2035	1,185,000	89,406	1,274,406
	<u>\$ 4,110,000</u>	<u>\$ 1,021,493</u>	<u>\$ 5,131,493</u>

**C. Postemployment Benefits**

General Information about the OPEB Plan

Plan Description – The Village’s defined benefit OPEB plan (“the Village’s OPEB plan”), provides OPEB for all permanent full-time general and public safety employees of the Village. The Village’s OPEB plan is a single-employer defined benefit OPEB plan administered by the Village.

Benefits Provided – The Village’s OPEB plan provides healthcare benefits for retirees and their dependents.

**Medical Benefits Program:**

The Plan is a fully insured plan. Current retiree premium rates provided by the Village include:

- |                            |                              |
|----------------------------|------------------------------|
| A) Individual Pre-Age 65:  | Generally \$1,015 per month. |
| B) Family Pre-Age 65:      | Generally \$2,348 per month. |
| C) Individual Post-Age 65: | Generally \$444 per month.   |
| D) Family Post-Age 65:     | Generally \$1,207 per month. |

For GASB #75 purposes, the “community rated” exception under ASOP 6 no longer applies. 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, are now required.

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**NOTE 6. LIABILITIES (Continued)**

**C. Postemployment Benefits (Continued)**

**Medicare Part B Premiums:** paid by the Village at \$134.00/mo.

**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.

Employees Covered by Benefit Terms – At May 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	18
Active employees	<u>25</u>
Total Employees Covered by Benefit Terms	<u><u>43</u></u>

**Total OPEB Liability**

The Village's total OPEB liability of \$14,836,508 was measured as of May 31, 2020, and was determined by an actuarial valuation as of that date.

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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6. LIABILITIES (Continued)**

**C. Postemployment Benefits (Continued)**

Actuarial Assumptions and Other Inputs – The total OPEB liability in the May 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	6/1/2019 (5/31/2020 disclosures)
Projected Salary Increases	3% per annum
Discount Rate	2.63% (1.63% and 3.63% are illustrated for sensitivity)
Rate of Inflation	3% per annum
Mortality	RP-2014 mortality table, MP-2016 projection
Withdrawal	Sarasson T-5 Table
Asset Valuation Method	Market value
Healthcare cost trend rates	8% decreasing to 5% ultimate
Marriage Rate	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.
Amortization Basis	For experience gains/losses, over the average expected future working lifetime of the whole group. For assumption change gains/losses, over the average expected future working lifetime of the whole group

The discount rate was based on S&P 20 AA Municipal Bond Index as of May 31, 2020.

The actuarial assumptions used in the June 1, 2019 valuation were based on the results of an actuarial experience study for the period June 1, 2019 - May 31, 2020.

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**NOTE 6. LIABILITIES (Continued)**

**C. Postemployment Benefits (Continued)**

Changes in the Total OPEB Liability

Balance at May 31, 2019	\$ 14,102,904
<u>Changes for the Year:</u>	
Service cost	447,318
Interest	425,578
Differences between expected and actual experience	(736,396)
Changes in assumptions or other inputs	896,159
Benefit payments	(299,055)
Net Changes	733,604
Balance at May 31, 2020	\$ 14,836,508

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Village, as well as what the Village’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63 percent) or 1 percentage point higher (3.63 percent) than the current discount rate:

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
Total OPEB Liability	\$ 16,969,868	\$ 14,836,508	\$ 12,703,146

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

	Trend Rate Less 1%	Current Health Care Cost Trend Rates	Trend Rate Plus 1%
Total OPEB Liability	\$ 12,359,220	\$ 14,836,508	\$ 17,775,065

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**NOTE 6. LIABILITIES (Continued)**

**C. Postemployment Benefits (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended May 31, 2020, the Village recognized OPEB expense of \$915,634. At May 31, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 98,223	\$ 631,197
Changes of assumptions or other inputs	768,136	0
Village's contributions subsequent to the measurement date	<u>0</u>	<u>0</u>
Total	<u>\$ 866,359</u>	<u>\$ 631,197</u>

Village contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the fiscal year ended May 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending May 31,</u>	<u>Amount</u>
2021	\$ 42,468
2022	42,468
2023	42,468
2024	42,468
2025	42,468
Annually Thereafter (1 year)	22,824

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**NOTE 7. 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, 2018, he was elected for a new term commencing January 1, 2019. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. Separately issued financial statements for the System can be accessed on the Comptroller's website at [www.osc.state.ny.us/retire/about\\_us/financial\\_statements\\_index.php](http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php).

**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

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**NOTE 7. PENSION PLANS (Continued)**

**ERS and PFRS Benefits Provided (Continued)**

*Tiers 1 and 2 (Continued)*

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.

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.

**VILLAGE OF HIGHLAND FALLS**  
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**NOTE 7. PENSION PLANS (Continued)**

**ERS and PFRS Benefits Provided (Continued)**

*Tier 6 (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 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.

*Disability Retirement Benefits*

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

*Ordinary Death Benefits*

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



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**NOTE 7. PENSION PLANS (Continued)**

*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.

**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:

	ERS	PFRS
2020	\$ 150,836	\$ 175,953
2019	\$ 149,736	\$ 180,526
2018	\$ 146,903	\$ 186,465

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.

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**NOTE 7. PENSION PLANS (Continued)**

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

At May 31, 2020, 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, 2020 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.

	ERS	PFRS
Actuarial Valuation Date	4/1/2019	4/1/2019
Net Pension Asset/(Liability)	\$ (871,997)	\$ (1,228,942)
Village's Portion of the Plan's Total Net Pension Asset/(Liability)	0.0032930%	0.0229926%

For the year ended May 31, 2020, the Village's recognized pension expense of \$271,853 for ERS and \$399,848 for PFRS. At May 31, 2020 the Village's reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources		
	ERS	PFRS	Total
Differences between expected and actual experience	\$ 51,321	\$ 81,835	\$ 133,156
Changes of Assumptions	17,558	105,045	122,603
Net difference between projected and actual earnings on pension plan investments	447,028	553,431	1,000,459
Changes in proportion and difference between the Village's contributions and proportionate share of contributions	20,231	3,418	23,649
Village's contributions subsequent to the measurement date	23,650	30,995	54,645
Total	\$ 559,788	\$ 774,724	\$ 1,334,512

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**NOTE 7. PENSION PLANS (Continued)**

	Deferred Inflows or Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 0	\$ 20,585	\$ 20,585
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	15,161	0	15,161
Changes in proportion and difference between the Village's contributions and proportionate share of contributions	48,152	116,099	164,251
Total	\$ 63,313	\$ 136,684	\$ 199,997

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, 2020. 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>
2021	\$ 67,666	\$ 122,396
2022	116,725	138,845
2023	159,487	186,924
2024	128,947	160,413
2025	0	(1,533)

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**NOTE 7. PENSION PLANS (Continued)**

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:

Measurement Date	ERS	PFRS
	March 31, 2020	March 31, 2020
Inflation Rate	2.5%	2.5%
Projected Salary Increases	4.20%	5.00%
Projected Cost of Living Adjustments	1.3%	1.3%
Investment Rate of Return	6.8% compounded annually, net of investment expenses	6.8% 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

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, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**NOTE 7. PENSION PLANS (Continued)**

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	ERS & PFRS	
	March 31, 2020	
	Target	Long-term
	Allocation	expected real
		rate of return
<u>Asset Class:</u>		
Domestic Equity	36%	4.05%
International Equity	14%	6.15%
Private Equity	10%	6.75%
Real Estate	10%	4.95%
Absolute Return Strategies	2%	3.25%
Opportunistic Portfolio	3%	4.65%
Real Assets	3%	5.95%
Bonds and Mortgages	17%	0.75%
Cash	1%	0.00%
Inflation-indexed bonds	4%	0.50%
	100%	
Total	100%	

The real rate of return is net of the long-term inflation assumption of 2.5 percent.

Discount Rate

The discount rate used to calculate the total pension liability was 6.8% 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.

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**NOTE 7. PENSION PLANS (Continued)**

**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 6.8% 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 (5.8% for ERS and PFRS) or 1-percentage-point higher (7.8% for ERS and PFRS) than the current rate:

ERS	1% Decrease 5.80%	Current Assumption 6.80%	1% Increase 7.80%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (1,600,361)	\$ (871,997)	\$ (201,171)

PFRS	1% Decrease 5.80%	Current Assumption 6.80%	1% Increase 7.80%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (2,197,373)	\$ (1,228,942)	\$ (361,690)

**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
Employers' total pension asset/(liability)	\$ (194,596,261)	\$ (35,309,017)
Plan net position	168,115,682	29,964,080
Employer's net pension asset/(liability)	<u>\$ (26,480,579)</u>	<u>\$ (5,344,937)</u>

Ratio of plan net position to the employers' total pension asset/(liability)	86.39%	84.86%
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**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**NOTE 7. PENSION PLANS (Continued)**

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 31<sup>st</sup>. Accrued retirement contributions as of May 31, 2020 represent the projected employer contributions for the period of April 1, 2019 through March 31, 2020 based on paid ERS and PFRS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2020 amounted to \$54,645.

**NOTE 8. UNASSIGNED BALANCES.**

Of the \$1,853,039 in General fund balance, \$944,908 is considered Unassigned. Other General Fund Balances are as follows at May 31, 2020:

Capital Reserve	\$ 328,586
Designated for Subsequent Year	<u>579,545</u>
Total	<u>\$ 908,131</u>

**NOTE 9. 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 10. 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.

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**NOTE 11. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) FOR DEFINED BENEFIT PLANS.**

The Village of Highland Falls' financial statements are for the year ended May 31, 2020. 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, 2019, 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.

**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.



**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**NOTE 11. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) FOR DEFINED BENEFIT PLANS. (Continued)**

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.

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 Sheila L Yoensky, ASA, EA of BPAS Actuarial & Pension Services. Portions of the following information are derived from a report prepared by the actuary dated December 2020.

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**NOTE 11. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) FOR DEFINED BENEFIT PLANS. (Continued)**

D. Program Financial Condition

Assets and Liabilities

Actuarial Present Value of Benefits at December 31, 2019		\$ 1,224,130
Less: Assets Available for Benefits		
	<u>% of total</u>	
Insurance Contracts	98%	\$ 1,068,948
Checking Account	2%	21,518
Less: Liabilities		<u>( 0)</u>
Total Net Assets Available for Benefits		<u>1,090,466</u>
Total Unfunded Benefits		<u>( 133,664)</u>
Less: Unfunded Liability for Prior Service		<u>( 133,664)</u>
Unfunded Normal benefits		<u>\$ 0</u>

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		\$ 1,082,203
Changes during the year:		
+ Plan contribution	\$50,000	
+ Investment income earned	127	
+ Changes in fair market value of investments	15,976	
- Plan Benefit Withdrawals	<u>(57,840)</u>	
Plan Net Assets, end of year		<u>\$ 1,090,466</u>

Contributions

Amount of sponsor's contribution recommended by actuary:		\$ 50,275
Amount of sponsor's actual contribution:		\$ 50,000

Administration Fees

Fees paid to designated program administrator:		\$ 3,500
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**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2020**

**NOTE 11. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) FOR DEFINED BENEFIT PLANS. (Continued)**

E. Funding Methodology and Actuarial Assumptions.

Total LOSAP Liability

The District's total LOSAP liability of \$1,918,553 was measured as of May 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total LOSAP liability in the May 31, 2020 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: 2.48% (Based on Fidelity 20-Year GO AA Bond Index)

Inflation Rate: 2.00%

Measurement Date: May 31, 2020

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

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 LOSAP Liability

Balance at May 31, 2019	\$ 1,762,259
<u>Changes for the Year:</u>	
Service cost	43,370
Interest	54,189
Changes of benefit terms	0
Differences between expected and actual experience	(68,827)
Changes in assumptions or other inputs	176,902
Benefit payments	(49,340)
Net Changes	156,294
Balance at May 31, 2020	\$ 1,918,553

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020**

**NOTE 11. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) FOR DEFINED BENEFIT PLANS. (Continued)**

For the year ended May 31, 2020, the Village recognized LOSAP expense of \$156,314. At May 31, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to LOSAP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 108,536
Changes of assumptions or other inputs	<u>353,391</u>	<u>0</u>
Total	<u>\$ 353,391</u>	<u>\$ 108,536</u>

Village contributions subsequent to the measurement date will be recognized as a reduction of the LOSAP liability in the fiscal year ended May 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to LOSAP will be recognized in LOSAP expense as follows:

<u>Fiscal Year Ending May 31,</u>	<u>Amount</u>
2021	\$ 31,269
2022	31,269
2023	31,269
2024	31,269
2025	31,269
Annually Thereafter (1 year)	57,241

**NOTE 12. SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 29, 2021, which is the date the financial statements were available to be issued. As of this date, there are no subsequent events to report.



**Nugent & Haeussler, P.C.**  
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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 of Village of Highland Falls, as of and for the year ended May 31, 2020, 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 March 29, 2021.

### **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

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

Page 2

questioned costs that we consider to be significant deficiencies. These significant deficiencies are identified as 2020-001 and 2020-002.

### **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.

*Mugant & Haussler, P.C.*

Montgomery, New York  
March 29, 2021



**Nugent & Haeussler, P.C.**  
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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. Bulls, CPA, FACFEI, DABFA  
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**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, 2020. 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.

### **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, 2020.

### **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.

*Mugent & Haussler, P.C.*

Montgomery, New York  
March 29, 2021



**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED MAY 31, 2020**

**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   X   No

Significant deficiencies identified that are not considered to be material weaknesses

  X   Yes \_\_\_\_\_ No

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes   X   No

**FEDERAL AWARDS**

Internal Control Over Major Programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiencies identified that are not considered to be material weaknesses

\_\_\_\_\_ Yes   X   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   X   No

**IDENTIFICATION OF MAJOR PROGRAMS:**

<b><u>CFDA NUMBERS</u></b>	<b><u>NAME OF FEDERAL PROGRAM OR CLUSTER</u></b>
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   X   No

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED MAY 31, 2020**

**SECTION II FINANCIAL STATEMENT FINDINGS**

Finding 2020-001 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 2020-002 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, 2020**

**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, 2020**

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Real Property Taxes	\$ 3,186,171	\$ 3,186,171	\$ 3,186,171	\$ 0
Real Property Tax Items	15,000	15,000	20,138	5,138
Non-Property Tax Items	1,291,000	1,291,000	1,383,745	92,745
Departmental Income	26,000	30,876	28,121	(2,755)
Use of Money and Property	1,250	1,250	4,430	3,180
Licences and Permits	5,000	6,500	34,950	28,450
Fines and Forfeitures	25,000	25,000	11,023	(13,977)
Sale of Property and Compensation for Loss	10,000	10,000	2,066	(7,934)
Miscellaneous	10,000	25,000	395,915	370,915
Interfund Revenues	26,000	26,000	26,000	0
State and Federal Aid	80,000	130,000	790,083	660,083
<b>TOTAL REVENUES</b>	<u>4,675,421</u>	<u>4,746,797</u>	<u>5,882,641</u>	<u>\$ 1,135,845</u>
<b>OTHER SOURCES</b>				
Appropriated Fund Balance	403,396	403,396	0	
Interfund Transfers	113,600	175,877	162,278	
<b>TOTAL OTHER SOURCES</b>	<u>516,996</u>	<u>579,273</u>	<u>162,278</u>	
<b>TOTAL REVENUES AND OTHER SOURCES</b>	<u>\$ 5,192,417</u>	<u>\$ 5,326,070</u>	<u>\$ 6,044,919</u>	
<b>EXPENDITURES</b>				
General Government Support	\$ 982,156	\$ 983,103	1,148,882	\$ (165,779)
Public Safety	1,606,859	1,589,837	1,497,331	92,506
Health	1,000	1,000	0	1,000
Transportation	729,927	744,927	1,092,290	(347,363)
Culture and Recreation	109,300	221,577	98,106	123,471
Home and Community Services	24,000	24,000	15,063	8,937
Employee Benefits	1,408,199	1,408,199	1,420,934	(12,735)
Debt Service	330,976	353,427	353,427	0
<b>TOTAL EXPENDITURES</b>	<u>\$ 5,192,417</u>	<u>\$ 5,326,070</u>	<u>\$ 5,626,033</u>	<u>\$ (299,963)</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, 2020**

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Departmental Income	\$ 621,015	\$ 621,015	\$ 552,540	\$ (68,475)
Intergovernmental Charges	265,000	265,000	300,433	35,433
Use of Money and Property	0	0	813	813
Sale of Property and Compensation for Loss	1,000	1,000	1,540	540
Miscellaneous	0	0	1,471	1,471
<b>TOTAL REVENUES</b>	<u>887,015</u>	<u>887,015</u>	<u>856,797</u>	<u>(30,218)</u>
<b>OTHER SOURCES</b>				
Interfund Transfer	25,000	25,000	25,000	
<b>TOTAL REVENUES AND OTHER SOURCES</b>	<u>\$ 912,015</u>	<u>\$ 912,015</u>	<u>\$ 881,797</u>	
<b>EXPENDITURES</b>				
General Government Support	\$ 118,700	\$ 86,700	\$ 45,769	\$ 40,931
Home and Community Services	397,265	429,265	416,511	12,754
Employee Benefits	91,790	91,790	82,957	8,833
Debt Service	254,260	254,260	239,416	14,844
<b>TOTAL EXPENDITURES</b>	<u>862,015</u>	<u>862,015</u>	<u>784,653</u>	<u>\$ 77,362</u>
<b>OTHER USES</b>				
Operating Transfers Out	50,000	50,000	50,000	
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<u>\$ 912,015</u>	<u>\$ 912,015</u>	<u>\$ 834,653</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, 2020**

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Departmental Income	\$ 1,142,865	\$ 1,142,865	\$ 1,084,520	\$ (58,345)
Intergovernmental Charges	1,400	1,400	1,493	93
Use of Money and Property	100	100	811	711
Miscellaneous	0	0	25	25
State and Federal Aid	0	0	0	0
<b>TOTAL REVENUES</b>	<u>\$ 1,144,365</u>	<u>\$ 1,144,365</u>	<u>\$ 1,086,849</u>	<u>\$ (57,516)</u>
<b>EXPENDITURES</b>				
General Government Support	\$ 45,000	\$ 45,000	7,610	\$ 37,390
Home and Community Services	583,485	583,485	520,184	63,301
Employee Benefits	148,740	148,740	145,403	3,337
Debt Service	32,140	32,140	32,140	0
<b>TOTAL EXPENDITURES</b>	<u>809,365</u>	<u>809,365</u>	<u>705,337</u>	<u>\$ 104,028</u>
<b>OTHER USES</b>				
Operating Transfers Out	<u>335,000</u>	<u>335,000</u>	<u>335,000</u>	
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<u>\$ 1,144,365</u>	<u>\$ 1,144,365</u>	<u>\$ 1,040,337</u>	

See paragraph on supplemental schedules in auditor's report.

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**SCHEDULE OF CHANGES IN THE VILLAGE'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED MAY 31, 2020**

	<u>05/31/20</u>	<u>05/31/19</u>	<u>05/31/18</u>
<b><u>Total OPEB Liability</u></b>			
Service cost	\$ 447,318	\$ 409,633	\$ 0
Interest	425,578	406,170	0
Changes of benefit terms	0	0	0
Differences between expected and actual experience	(736,396)	137,511	0
Changes in assumptions or other inputs	896,159	0	13,484,535
Benefit payments	<u>(299,055)</u>	<u>(334,945)</u>	<u>0</u>
Net change in total OPEB liability	733,604	618,369	13,484,535
Total OPEB liability-beginning	<u>14,102,904</u>	<u>13,484,535</u>	<u>0</u>
Total OPEB liability-ending	<u><u>14,836,508</u></u>	<u><u>14,102,904</u></u>	<u><u>13,484,535</u></u>
Covered-employee payroll	1,991,165	2,142,018	2,142,018
Total OPEB liability as a percentage of covered-employee payroll	745.12%	658.39%	629.52%

**Notes to Schedule:**

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

\* GASB 75 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, 2019, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 75.

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, 2020

	NYSERS Pension Plan Last 10 Fiscal Years*						
	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
Village's proportion of the net pension asset/(liability)	0.0032930%	0.0037292%	0.0038816%	0.0044014%	0.0049042%	0.0055094%	0.0055094%
Village's proportionate share of the net pension asset/(liability)	(871,997)	(264,223)	(125,277)	(413,569)	(787,141)	(186,120)	(248,961)
Village's covered-employee payroll	1,052,442	1,077,666	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	-82.83%	-24.52%	-12.11%	-40.99%	-83.61%	-18.92%	-24.23%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.70%	97.95%	97.95%
	NYSPPRS Pension Plan Last 10 Fiscal Years*						
	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
Village's proportion of the net pension asset/(liability)	0.022993%	0.026214%	0.025779%	0.027102%	0.027553%	0.024631%	0.024631%
Village's proportionate share of the net pension asset/(liability)	(1,228,942)	(439,620)	(260,558)	(561,728)	(815,781)	(67,800)	(102,542)
Village's covered-employee payroll	856,034	742,708	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	-143.56%	-59.19%	-31.67%	-75.74%	-72.47%	-5.11%	-9.41%
Plan fiduciary net position as a percentage of the total pension liability	84.86%	95.09%	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, 2020**

	NYSPRS Pension Plan Last 10 Fiscal Years*						
	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
Contractually required contribution	\$ 150,836	\$ 149,756	\$ 146,903	\$ 156,740	\$ 181,653	\$ 197,248	\$ 222,957
Contributions in relation to the contractually required contribution	150,836	149,756	146,903	156,740	181,653	197,248	222,957
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	1,052,442	1,077,666	1,034,811	1,008,834	941,388	983,974	1,027,410
Contributions as a percentage of its covered-employee payroll	14.33%	13.89%	14.20%	15.54%	19.30%	20.05%	21.70%

	NYSPFRS Pension Plan Last 10 Fiscal Years*						
	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
Contractually required contribution	\$ 175,953	\$ 180,326	\$ 186,465	\$ 198,827	\$ 207,099	\$ 193,477	\$ 193,409
Contributions in relation to the contractually required contribution	175,953	180,326	186,465	198,827	207,099	193,477	193,409
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	856,054	742,708	822,814	741,641	1,123,705	1,326,444	1,089,706
Contributions as a percentage of its covered-employee payroll	20.55%	24.31%	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, 2020**

	<u>05/31/20</u>	<u>05/31/19</u>	<u>05/31/18</u>	<u>05/31/17</u>
<b><u>Total OPEB Liability</u></b>				
Service cost	\$ 43,370	\$ 32,934	\$ 32,210	N/A
Interest	54,189	54,692	46,525	N/A
Changes of benefit terms	0	0	182,274	N/A
Differences between expected and actual experience	(68,827)	17,316	43,981	N/A
Changes in assumptions or other inputs	176,902	143,610	(50,579)	N/A
Benefit payments	(49,340)	(36,960)	(36,045)	N/A
Net change in total OPEB liability	156,294	211,592	218,366	N/A
Total OPEB liability-beginning	<u>1,762,259</u>	<u>1,550,667</u>	<u>1,332,301</u>	N/A
Total OPEB liability-ending	<u>\$ 1,918,553</u>	<u>\$ 1,762,259</u>	<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.

5/31/20 (5/31/19 Measurement Date)	2.48%
5/31/19 (5/31/18 Measurement Date)	3.12%
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, 2020**

NOTES	DATE OF ORIGINAL ISSUE	MATURITY	INTEREST RATE	OUTSTANDING BEGINNING OF FISCAL YEAR	ISSUED DURING YEAR	PAID DURING YEAR	REFUNDING OF SERIAL BOND	OUTSTANDING END OF YEAR	AMOUNT OF INTEREST PAID DURING FISCAL YEAR		ACCRUED INTEREST DUE 05/31/20 FISCAL YEAR	DUE WITHIN ONE YEAR
									INTEREST	AMOUNT OF INTEREST PAID DURING FISCAL YEAR		
Various Purpose 2015 Drainage	3/6/2015	2/26/2021	1.57%	\$ 300,000	\$ 0	\$ 150,000	\$ 0	\$ 150,000	\$ 7,890	\$ 555	\$ 150,000	
	11/5/2019	11/5/2020	1.89%	0	185,000	0	0	185,000	0	1,945	185,000	
<u>CAPITAL LEASE</u> Police Vehicles	9/26/2017	12/18/2019	5.50%	25,154	0	25,154	0	0	115	0	0	
	3/13/2003	10/15/2032	Various	395,000	0	25,000	0	370,000	7,140	1,922	25,000	
2009 Bond - Various Purposes	8/1/2009	8/1/2035	Various	2,425,000	0	105,000	2,320,000	0	57,594	0	0	
	6/25/2019	5/31/2035	Various	0	2,140,000	0	0	2,140,000	51,900	35,471	100,000	
2012 Refinancing	5/1/2012	5/1/2035	Various	1,570,000	0	110,000	0	1,460,000	51,988	18,120	115,000	
	3/2/2016	3/1/2025	Various	170,000	0	30,000	0	140,000	3,202	891	30,000	
<b>TOTAL NOTES</b>												
				\$ 4,885,154	\$ 2,325,000	\$ 445,154	\$ 2,320,000	\$ 4,445,000	\$ 179,829	\$ 58,903	\$ 605,000	

See paragraph on supplemental schedules in auditor's report.

**VILLAGE OF HIGHLAND FALLS**  
**HIGHLAND FALLS, NEW YORK**  
**NET INVESTMENT IN CAPITAL ASSETS**  
**FOR THE YEAR ENDED MAY 31, 2020**

Capital Assets, Net		\$ 12,902,143
Deduct:		
Bond Anticipation Notes	\$ 335,000	
Short-Term Portion of Bonds Payable (including unamortized bond premium of \$15,894)	285,894	
Long-Term Portion of Bonds Payable (including unamortized bond premium of \$222,521)	4,062,521	
Less: Unspent Bond Proceeds	<u>(257,746)</u>	
Total Deductions		<u>4,425,669</u>
		 <u><u>\$ 8,476,474</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, 2020**

Project	Expenditures			Total	Methods of Financing				Totals	Fund Balance (Deficit) May 31, 2020
	Prior Year	Current Year			Proceeds of Obligations	Federal Aid	Local Sources			
Water Tank Painting	\$ 866,751	\$ 25,000	\$ 891,751	\$ 0	\$ 0	\$ 800,000	\$ 800,000	\$ 800,000	\$ (91,751)	
DPW Garage Improvements	34,790	210	35,000	0	0	35,000	35,000	35,000	0	
North End Drainage	188,878	73,606	262,484	0	0	262,484	262,484	262,484	0	
Oak/Mearns Drainage	1,517,346	903	1,518,249	1,620,000	0	124,691	1,744,691	1,744,691	226,442	
Village Hall Repairs	72,399	0	72,399	0	0	85,000	85,000	85,000	12,601	
Sewer Plant Repairs	704,556	0	704,556	0	0	704,556	704,556	704,556	0	
Various Street Paving	1,248,508	0	1,248,508	692,500	42,721	513,287	1,248,508	1,248,508	0	
Eagle Valley Bridge	39,578	0	39,578	0	23,800	15,778	39,578	39,578	0	
Sewer Plant 2019 Repairs	102,060	220,369	322,429	0	0	430,444	430,444	430,444	108,015	
Sewer Plant Fire Repairs	154,060	268,592	422,652	0	0	497,500	497,500	497,500	74,848	
Schneider Ave Drainage	0	95,550	95,550	0	0	0	0	0	(95,550)	
Schneider Ave Reconstruction	0	5,478	5,478	0	0	0	0	0	(5,478)	
Roe Avenue	0	51,896	51,896	0	0	0	0	0	(51,896)	
	<u>\$ 4,928,926</u>	<u>\$ 741,604</u>	<u>\$ 5,670,530</u>	<u>\$ 2,312,500</u>	<u>\$ 66,521</u>	<u>\$ 3,468,740</u>	<u>\$ 5,847,761</u>	<u>\$ 177,231</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, 2020**

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>769,599</u> <u>769,599</u>
		<u>\$ 769,599</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, 2020**

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.