

**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MAY 31, 2022
INCLUDING REPORTS ON FEDERAL AWARDS**

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MAY 31, 2022
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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

Norman M. Sassi, CPA
Walter J. Jung, CPA

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise Village of Highland Falls' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund of the Village of Highland Falls, as of May 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Village of Highland Falls' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Village of Highland Falls' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial

statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Village of Highland Falls' basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures and federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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 January 13, 2023, on our consideration of the Village's 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 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.



Montgomery, New York
January 13, 2023

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2022

The following is a discussion and analysis of the Village of Highland Falls' financial performance for the year ended May 31, 2022. 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 2022 and 2021 by \$4,035,481 and \$4,086,361 (net position) respectively. The net position at May 31, 2022 reflects an improvement of \$50,880.
- Revenue, as reflected in the governmental funds statement, decreased by \$1,025,591. This decrease is primarily attributable to a significant Insurance Recovery associated with the Sewer Plant in 2021 that did not occur in 2022.
- As of the close of the current fiscal year, the Village of Highland Falls' governmental funds reported combined ending fund balances of \$2,254,280 a decrease of \$1,826,723 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$671,134 at 12.04% of the total general fund expenditures.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2022

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, 2022

Figure A-1

Major Features of the Government-Wide and Fund Financial Statements

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

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2022

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, 2022

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-Custodial Funds:** The Village acts in a custodial capacity for assets that are ultimately transferred to others, such as guarantee and bid deposits. 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 \$4,035,481. This is a \$50,880 improvement from last year's deficit net position of \$4,086,361. The following table provides a summary of the Village's net position:

Figure A-2

Condensed Statement of Net Position	2022	2021	Total Dollar Change	Total % Change
Current Assets	\$ 3,565,199	\$ 4,929,179	\$ (1,363,980)	-27.67%
Non-Current Assets	16,464,655	14,425,143	2,039,512	14.14%
Total Assets	20,029,854	19,354,322	675,532	3.49%
Deferred Outflows	5,612,615	6,233,972	(621,357)	-9.97%
Current Liabilities	1,350,896	903,024	447,872	49.60%
Non-Current Liabilities	19,864,624	25,574,418	(5,709,794)	-22.33%
Total Liabilities	21,215,520	26,477,442	(5,261,922)	-19.87%
Deferred Inflows	8,462,430	3,197,213	5,265,217	164.68%
Net Investment in Capital Assets	11,667,059	10,035,073	1,631,986	16.26%
Restricted	2,312,190	2,726,613	(414,423)	-15.20%
Unrestricted	(18,014,730)	(16,848,047)	(1,166,683)	-6.92%
Total Net Position (Deficit)	\$ (4,035,481)	\$ (4,086,361)	\$ 50,880	1.25%

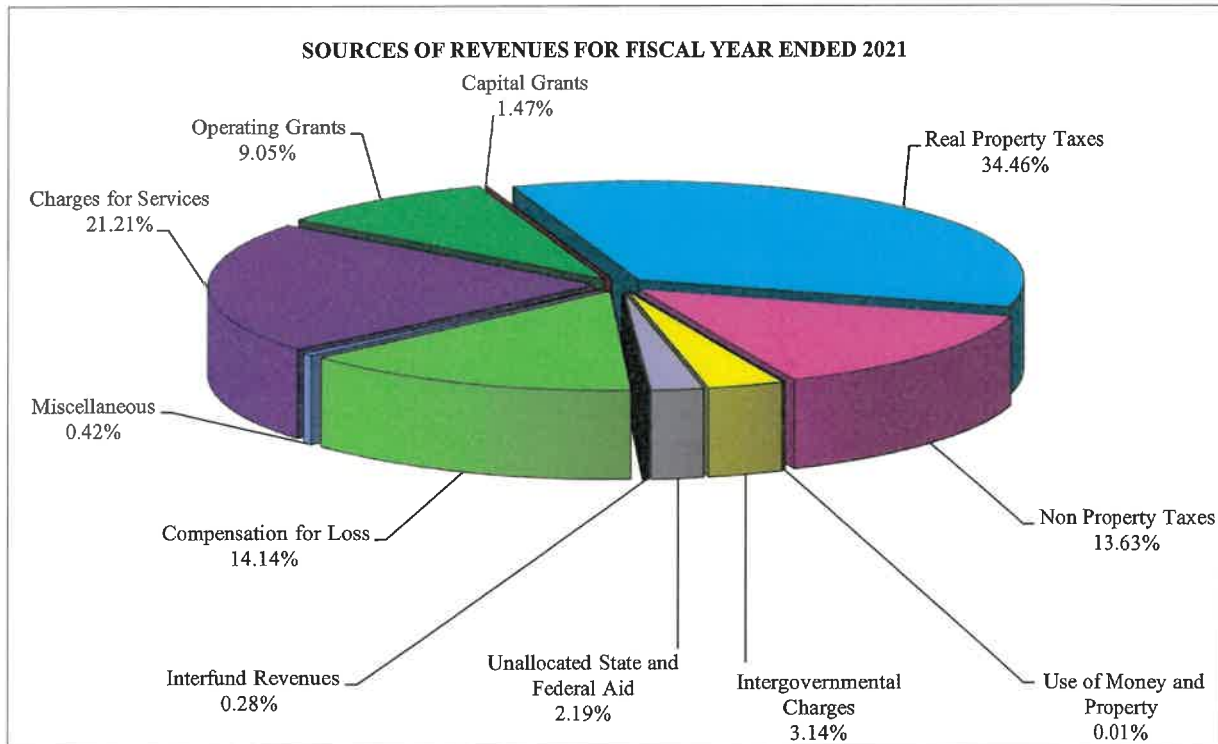
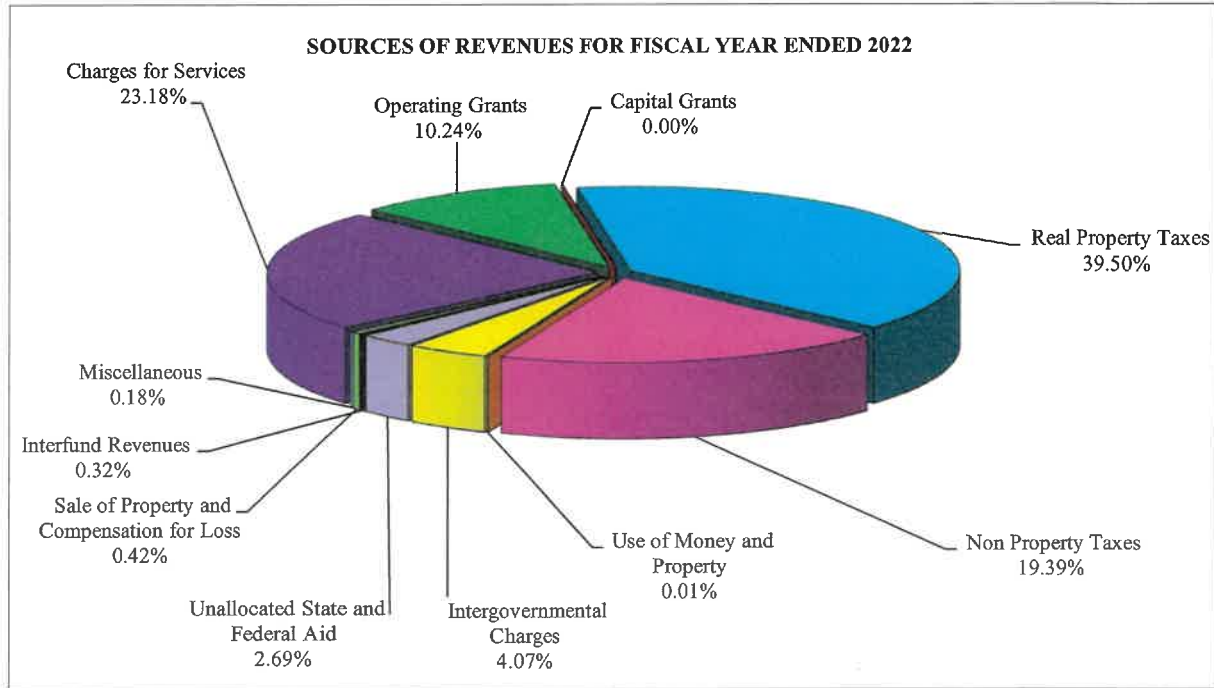
VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
STATEMENT OF ACTIVITIES
SUMMARY OF CHANGES IN NET POSITION

Figure A-3

	2022		2021		\$ Change	% Change
	Amount	%	Amount	%		
REVENUES (Chart Figure A-4)						
PROGRAM REVENUES						
Charges for Services	\$ 1,879,122	23.18%	\$ 1,995,441	21.21%	\$ (116,319)	-5.83%
Operating Grants	829,670	10.24%	851,382	9.05%	(21,712)	-2.55%
Capital Grants	0	0.00%	137,851	1.47%	(137,851)	N/A
GENERAL REVENUES						
Real Property Taxes	3,201,711	39.50%	3,242,268	34.46%	(40,557)	-1.25%
Non Property Taxes	1,572,039	19.39%	1,282,177	13.63%	289,862	22.61%
Use of Money and Property	816	0.01%	806	0.01%	10	1.24%
Intergovernmental Charges	330,067	4.07%	295,544	3.14%	34,523	11.68%
Unallocated State and Federal Aid	218,328	2.69%	206,439	2.19%	11,889	5.76%
Interfund Revenues	26,000	0.32%	26,000	0.28%	0	0.00%
Sale of Property and Compensation for Loss	33,667	0.42%	1,329,790	14.14%	(1,296,123)	-97.47%
Miscellaneous	14,751	0.18%	39,946	0.42%	(25,195)	-63.07%
	<u>8,106,171</u>	<u>100.00%</u>	<u>9,407,644</u>	<u>100.00%</u>	<u>(1,301,473)</u>	<u>-13.83%</u>
EXPENDITURES (Chart Figure A-5)						
General Government	1,150,979	14.29%	1,040,632	12.33%	110,347	10.60%
Public Safety	1,340,866	16.65%	1,435,756	17.01%	(94,890)	-6.61%
Health	0	0.00%	2,240	0.03%	(2,240)	-100.00%
Transportation	1,058,773	13.14%	685,191	8.12%	373,582	54.52%
Culture and Recreation	63,720	0.79%	119,812	1.42%	(56,092)	-46.82%
Home and Community Services	820,216	10.18%	864,884	10.25%	(44,668)	-5.16%
Water Utilities	365,489	4.54%	365,078	4.33%	411	0.11%
Sewer Utilities	565,895	7.03%	563,662	6.68%	2,233	0.40%
Interest on Debt	106,746	1.33%	125,398	1.49%	(18,652)	-14.87%
Employee Benefits	1,808,086	22.45%	2,602,993	30.84%	(794,907)	-30.54%
Depreciation	774,521	9.62%	634,301	7.52%	140,220	22.11%
	<u>8,055,291</u>	<u>100.00%</u>	<u>8,439,947</u>	<u>100.00%</u>	<u>(384,656)</u>	<u>-4.56%</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 50,880</u>		<u>\$ 967,697</u>		<u>\$ (916,817)</u>	

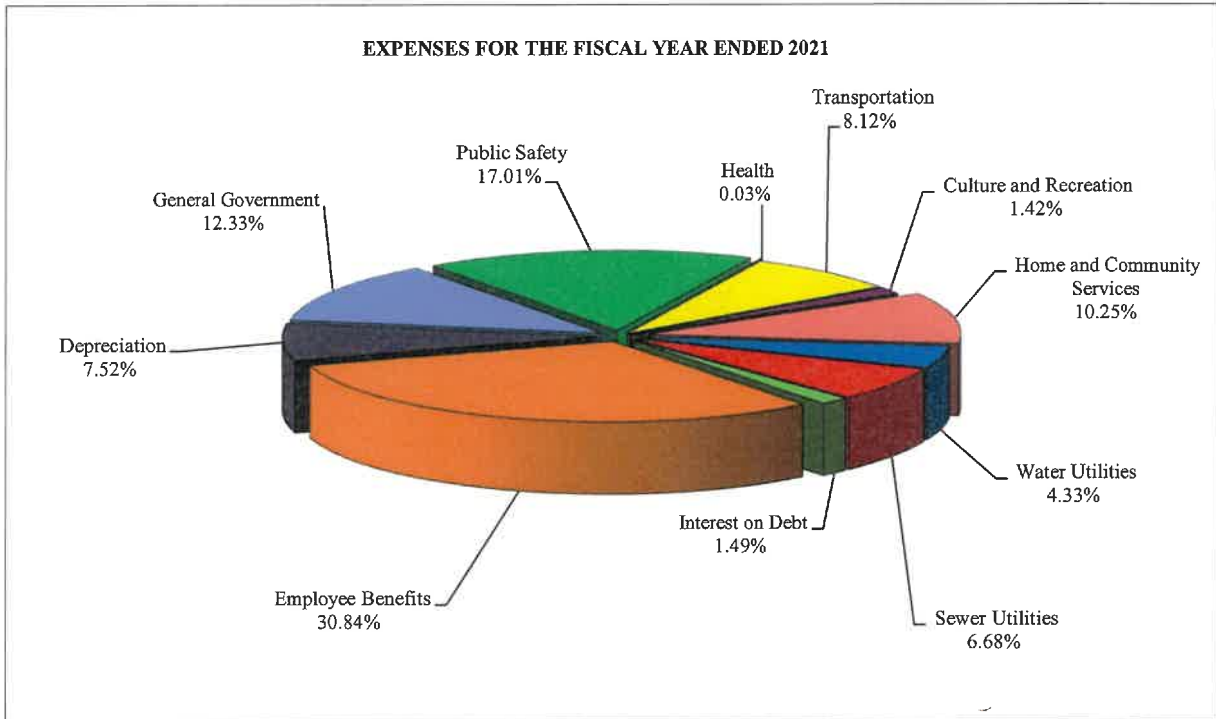
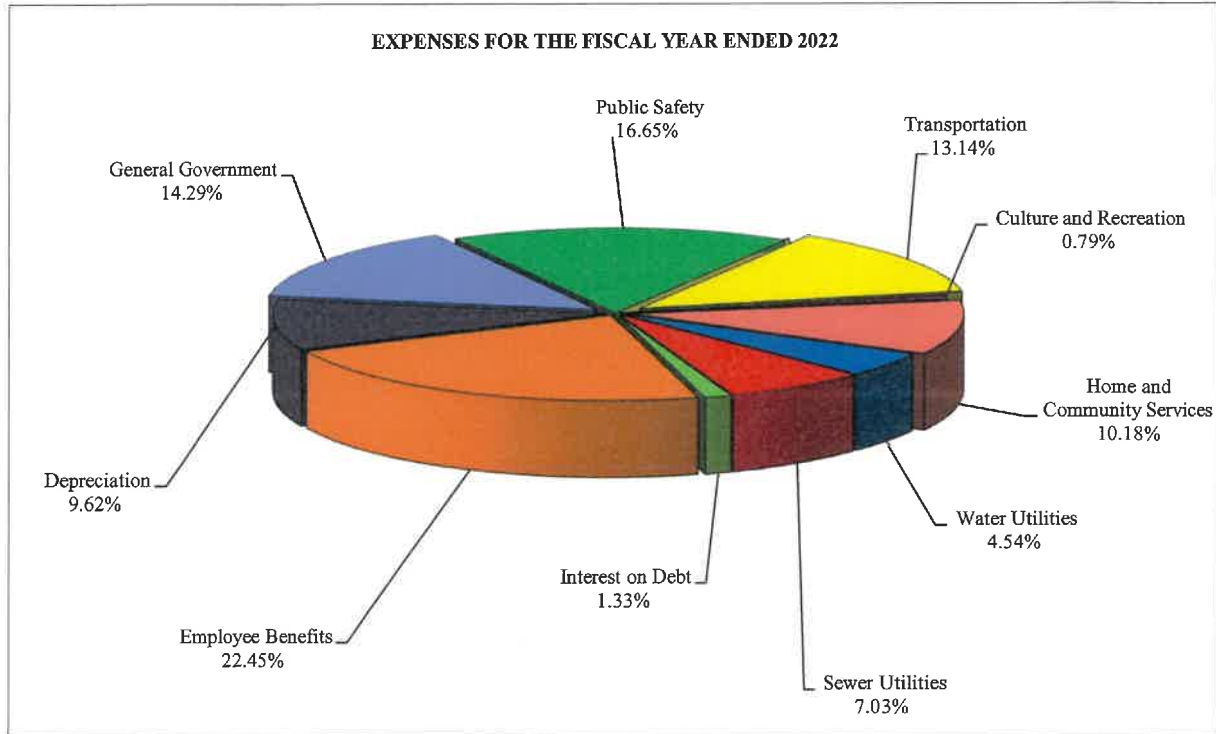
**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure A-4



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

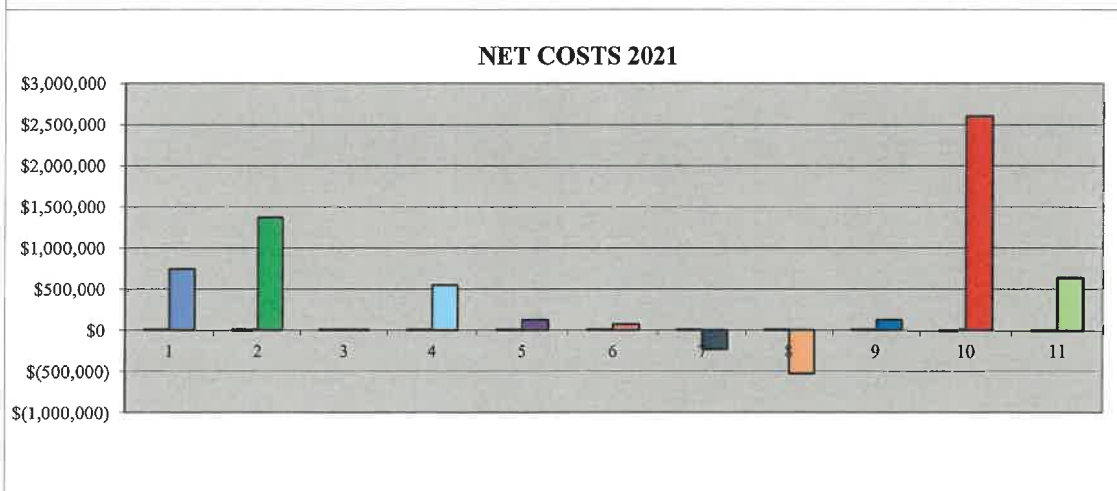
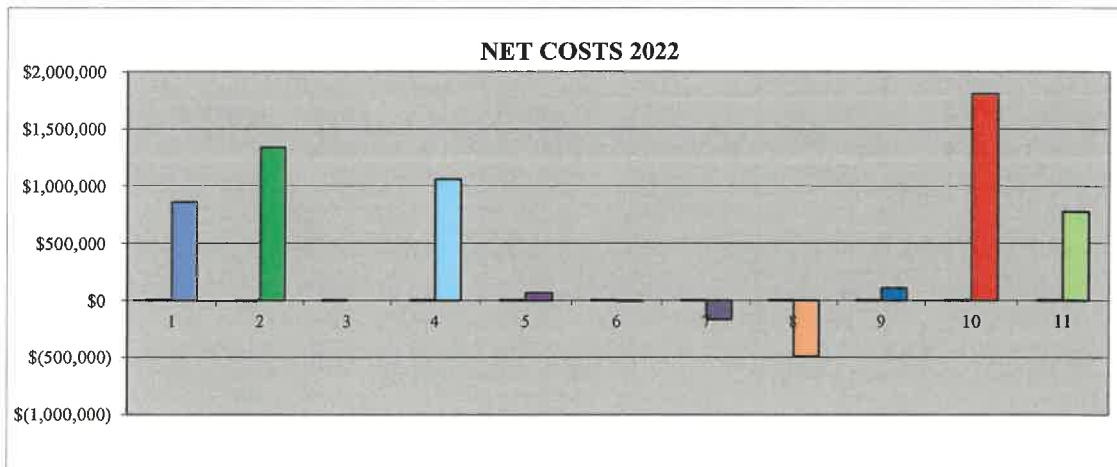
Figure A-5



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

Figure A-6

PROGRAMS		Total Costs of Services 2022	Net Costs of Services 2022	Total Costs of Services 2021	Net Costs of Services 2021
1	General Government	\$ 1,150,979	\$ 859,322	\$ 1,040,632	\$ 741,443
2	Public Safety	1,340,866	1,338,356	1,435,756	1,369,073
3	Health	0	0	2,240	2,240
4	Transportation	1,058,773	1,058,773	685,191	547,340
5	Culture and Recreation	63,720	63,720	119,812	119,812
6	Home and Community Services	820,216	(6,944)	864,884	70,285
7	Water Utilities	365,489	(166,274)	365,078	(230,291)
8	Sewer Utilities	565,895	(489,807)	563,662	(527,321)
9	Interest on Debt	106,746	106,746	125,398	125,398
10	Employee Benefits	1,808,086	1,808,086	2,602,993	2,602,993
11	Depreciation	774,521	774,521	634,301	634,301
Total Costs		\$ 8,055,291	\$ 5,346,499	\$ 8,439,947	\$ 5,455,273



VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2022

Figure A-6 (Continued)

Total costs of services provided by the Village (Figure A-6) for the fiscal years ended May 31, 2022 and 2021 were \$8,055,291 and \$8,439,947, respectively. These charges were offset by charges and services of \$1,879,122, operating grants and contributions of \$829,670, and capital grants of \$0, resulting in net cost of services of \$5,346,499 for the year ended May 31, 2022. This is a \$108,774 decrease under last year's total net costs of \$5,455,273.

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, 2022		
	Restricted	Assigned	Unassigned
General	\$ 419,325	\$ 552,293	\$ 671,134
Capital Projects	0	0	(1,332,756)
Water	960,134	0	0
Sewer	932,731	0	0
Community Development	0	51,419	0
	<u>\$ 2,312,190</u>	<u>\$ 603,712</u>	<u>\$ (661,622)</u>
	May 31, 2021		
	Restricted	Assigned	Unassigned
General	\$ 418,915	\$ 598,245	\$ 719,328
Capital Projects	451,817	0	0
Water	901,111	0	0
Sewer	954,770	0	0
Community Development	0	36,817	0
	<u>\$ 2,726,613</u>	<u>\$ 635,062</u>	<u>\$ 719,328</u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2022

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 \$641,685 and actual expenditures were more than budgeted expenditures by \$161,865. Figure A-8 summarizes the general funds original and revised budgets, actual expenditures and the variances for the year ended May 31, 2022.

Figure A-8

Condensed Budgetary Comparison General Fund	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real property taxes	\$ 3,175,960	\$ 3,175,960	\$ 3,177,866	\$ 1,906
Real property tax items	20,000	20,000	23,846	3,846
Non property taxes	1,335,000	1,335,000	1,572,039	237,039
State and Federal Aid	95,000	95,000	220,838	125,838
Departmental income	19,500	19,500	17,692	(1,808)
All other	67,000	67,000	341,864	274,864
Total Revenues	\$ 4,712,460	\$ 4,712,460	\$ 5,354,145	\$ 641,685
Other financing sources	\$ 698,245	\$ 698,245	\$ 100,000	
EXPENDITURES				
General government support	\$ 1,162,894	\$ 1,162,894	\$ 1,039,900	\$ 122,994
Public safety	1,577,182	1,577,182	1,377,705	199,477
Health	1,000	1,000	0	1,000
Transportation	749,017	749,017	1,320,820	(571,803)
Culture & recreation	121,500	121,500	63,726	57,774
Home & community service	53,500	53,500	7,675	45,825
Employee benefits	1,394,848	1,394,848	1,411,983	(17,135)
Debt service	350,764	350,764	350,761	3
Total Expenditures	\$ 5,410,705	\$ 5,410,705	\$ 5,572,570	\$ (161,865)

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2022

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 2022, the Village expended \$2,529,363 on capital additions. Figure A-9 reflects the changes in net capital assets.

Figure A-9

Changes in Net Capital Assets	Governmental Activities		Total
	2022	2021	Dollar Change
Land	\$ 483,311	\$ 483,311	\$ 0
Land Improvements	1,239,785	999,426	240,359
Construction	3,872,159	3,973,741	(101,582)
Infrastructure	9,483,499	8,497,416	986,083
Machinery and Equipment	755,130	193,696	561,434
Vehicles	346,101	277,553	68,548
Total	\$ 16,179,985	\$ 14,425,143	\$ 1,754,842

Major additions in 2022 included:

Land Improvements	\$ 326,908
Infrastructure	1,360,517
Machinery and Equipment	713,340
Vehicles	<u>128,598</u>
Total	<u>\$ 2,529,363</u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2022

DEBT ADMINISTRATION

Long-term debt decreased by \$235,000 during 2022.

Detailed information regarding the Village's long-term debt is presented in more detail in Note 7 in the current year's notes to the financial statements. Figure A-10 reflects the changes in the Village's debt for 2022.

Figure A-10

Outstanding Debt	Governmental Activities		Total Dollar Change
	2022	2021	
Serial Bonds	\$ 3,605,000	\$ 3,840,000	\$ (235,000)

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, 2022

ASSETS

Unrestricted Cash	\$ 1,084,145
Restricted Cash	2,312,190
Accounts Receivable, net	162,299
Due from Fiduciary Funds	6,565
Net Pension Asset - Proportionate Share	284,670
Non Depreciable Capital Assets	483,311
Depreciable Capital Assets, Net	15,696,674
TOTAL ASSETS	<u>20,029,854</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	1,572,125
Other Postemployment Benefits	3,657,955
LOSAP	382,535
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,612,615</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	107,109
Accrued Liabilities	39,977
Due to Employees' Retirement System	48,702
Other Liabilities	196,358
Bond Anticipation Notes Payable	958,750
Long-Term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable (including unamortized bond premium of \$15,894)	320,894
Due and Payable More Than One Year:	
Bonds Payable (including unamortized bond premium of \$190,733)	3,490,733
Net Pension Liability - Proportionate Share	138,176
Other Postemployment Benefits Payable	14,130,529
Net Pension Liability - LOSAP	1,576,511
Compensated Absences	207,781
TOTAL LIABILITIES	<u>21,215,520</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	2,373,048
Other Postemployment Benefits	5,484,180
LOSAP	605,202
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8,462,430</u>

NET POSITION

Net Investment in Capital Assets	11,667,059
Restricted	2,312,190
Unrestricted (Deficit)	(18,014,730)
TOTAL NET POSITION (DEFICIT)	<u>\$ (4,035,481)</u>

See notes to financial statements.

**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2022**

	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Contributions	Governmental Activities
PRIMARY GOVERNMENT					
Governmental Activities:					
General Government	\$ (1,448,821)	\$ 291,657	\$ 0	\$ 0	\$ (1,157,164)
Public Safety	(2,540,831)	0	2,510	0	(2,538,321)
Transportation	(1,064,217)	0	0	0	(1,064,217)
Culture and Recreation	(68,281)	0	0	0	(68,281)
Home and Community Services	(1,135,855)	0	827,160	0	(308,695)
Water Utilities	(543,675)	531,763	0	0	(11,912)
Sewer Utilities	(853,531)	1,055,702	0	0	202,171
Interest on Debt	(106,746)	0	0	0	(106,746)
TOTAL PRIMARY GOVERNMENT	\$ (8,055,291)	\$ 1,879,122	\$ 829,670	\$ 0	(5,346,499)
GENERAL REVENUES					
Real Property Taxes					3,177,865
Real Property Tax Items					23,846
Non Property Taxes					1,572,039
Use of Money and Property					816
Intergovernmental Charges					330,067
Unallocated State and Federal Aid					218,328
Interfund Revenues					26,000
Sale of Property and Compensation for Loss					33,667
Miscellaneous					14,751
TOTAL GENERAL REVENUES					5,397,379
CHANGE IN NET POSITION					50,880
NET POSITION - BEGINNING (DEFICIT)					(4,086,361)
NET POSITION - ENDING (DEFICIT)					\$ (4,035,481)

See notes to financial statements.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
MAY 31, 2022

	General	Community Development	Water	Sewer	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted Cash	\$ 1,080,100	\$ 51,419	\$ 0	\$ 0	\$ 0	\$ 1,131,519
Restricted Cash	419,325	0	799,478	687,107	358,906	2,264,816
Accounts Receivable, Net	7,050	0	80,297	74,952	0	162,299
Due from Other Funds	443,175	0	318,457	250,433	234,591	1,246,656
TOTAL ASSETS	\$ 1,949,650	\$ 51,419	\$ 1,198,232	\$ 1,012,492	\$ 593,497	\$ 4,805,290
LIABILITIES						
Accounts Payable	\$ 72,593	\$ 0	\$ 22,070	\$ 12,446	\$ 0	\$ 107,109
Due to Other Funds	191,839	0	213,300	63,807	771,145	1,240,091
Due to Employees' Retirement System	42,466	0	2,728	3,508	0	48,702
Bond Anticipation Notes Payable	0	0	0	0	958,750	958,750
Other Liabilities	0	0	0	0	196,358	196,358
TOTAL LIABILITIES	306,898	0	238,098	79,761	1,926,253	2,551,010
FUND BALANCES						
Restricted	419,325	0	960,134	932,731	0	2,312,190
Assigned	552,293	51,419	0	0	0	603,712
Unassigned	671,134	0	0	0	(1,332,756)	(661,622)
TOTAL FUND BALANCES	1,642,752	51,419	960,134	932,731	(1,332,756)	2,254,280
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,949,650	\$ 51,419	\$ 1,198,232	\$ 1,012,492	\$ 593,497	\$ 4,805,290

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, 2022**

	Total Governmental Funds	Long-Term Assets Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Unrestricted Cash	\$ 1,131,519	\$ 0	\$ (47,374)	\$ 1,084,145
Restricted Cash	2,264,816	0	47,374	2,312,190
State & Federal Aid Receivable	0	0	0	0
Due from Other Funds	1,246,656	0	(1,246,656)	0
Due from Fiduciary Funds	0	0	6,565	6,565
Other Receivables, Net	162,299	0	0	162,299
Net Pension Asset - Proportionate Share	0	284,670	0	284,670
Capital Assets, Net	0	16,179,985	0	16,179,985
TOTAL ASSETS	4,805,290	16,464,655	(1,240,091)	20,029,854
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	0	1,572,125	0	1,572,125
Other Postemployment Benefits	0	3,657,955	0	3,657,955
LOSAP	0	382,535	0	382,535
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0	5,612,615	0	5,612,615
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,805,290	\$ 22,077,270	\$ (1,240,091)	\$ 25,642,469
LIABILITIES				
Accounts Payable	\$ 107,109	\$ 0	\$ 0	\$ 107,109
Accrued Liabilities	0	39,977	0	39,977
Bond Anticipation Notes Payable	958,750	0	0	958,750
Bond Payable	0	3,811,627	0	3,811,627
Due to Other Funds	1,240,091	0	(1,240,091)	0
Due to Employees' Retirement System	48,702	0	0	48,702
Net Pension Liability - Proportionate Share	0	138,176	0	138,176
Other Postemployment Benefits Payable	0	14,130,529	0	14,130,529
Net Pension Liability - LOSAP	0	1,576,511	0	1,576,511
Compensated Absences Payable	0	207,781	0	207,781
Other Liabilities	196,358	0	0	196,358
TOTAL LIABILITIES	2,551,010	19,904,601	(1,240,091)	21,215,520
DEFERRED INFLOWS OF RESOURCES				
Pensions	0	2,373,048	0	2,373,048
Other Postemployment Benefits	0	5,484,180	0	5,484,180
LOSAP	0	605,202	0	605,202
TOTAL DEFERRED INFLOWS OF RESOURCES	0	8,462,430	0	8,462,430
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,551,010	28,367,031	(1,240,091)	29,677,950
TOTALS FUND EQUITY/NET POSITION	2,254,280	(6,289,761)	0	(4,035,481)
TOTAL LIABILITIES AND FUND EQUITY/NET POSITION	\$ 4,805,290	\$ 22,077,270	\$ (1,240,091)	\$ 25,642,469

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, 2022**

	General	Community Development	Water	Sewer	Capital Projects	Total Governmental Funds
REVENUES						
Real Property Taxes	\$ 3,177,865	\$ 0	\$ 0	\$ 0	0	\$ 3,177,865
Real Property Tax Items	23,846	0	0	0	0	23,846
Non Property Tax Items	1,572,039	0	0	0	0	1,572,039
Departmental Income	17,692	0	531,763	1,055,702	0	1,605,157
Intergovernmental Charges	0	0	328,775	1,292	0	330,067
Use of Money and Property	676	0	70	70	0	816
Licenses and Permits	272,450	0	0	0	0	272,450
Fines and Forfeitures	1,515	0	0	0	0	1,515
Sale of Property and Compensation for Loss	31,872	0	1,795	0	0	33,667
Interfund Revenue	26,000	0	0	0	0	26,000
Miscellaneous	9,352	0	25	5,374	0	14,751
State and Federal Aid	220,838	827,160	0	0	0	1,047,998
TOTAL REVENUES	5,354,145	827,160	862,428	1,062,438	0	8,106,171
EXPENDITURES						
General Government Support	1,039,900	0	92,936	0	0	1,132,836
Public Safety	1,377,705	0	0	0	0	1,377,705
Transportation	1,320,820	0	0	0	0	1,320,820
Culture and Recreation	63,726	0	0	0	0	63,726
Home and Community Service	7,675	812,558	366,867	567,489	0	1,754,589
Employee Benefits	1,411,983	0	86,726	150,864	0	1,649,573
Capital Outlay	0	0	0	0	2,240,823	2,240,823
Debt Service	350,761	0	81,876	31,124	0	463,761
TOTAL EXPENDITURES	5,572,570	812,558	628,405	749,477	2,240,823	10,003,833
OTHER FINANCING SOURCES (USES)						
Proceeds from Advanced Refunding	1,145,000	0	0	0	0	1,145,000
Payments to Escrow Agent	(1,120,311)	0	0	0	0	(1,120,311)
BANS Redeemed from Appropriations	0	0	0	0	46,250	46,250
Operating Transfers In	100,000	0	25,000	0	435,000	560,000
Operating Transfers Out	0	0	(200,000)	(335,000)	(25,000)	(560,000)
TOTAL FINANCING SOURCES (USES)	124,689	0	(175,000)	(335,000)	456,250	70,939
CHANGE IN NET ASSETS	(93,736)	14,602	59,023	(22,039)	(1,784,573)	(1,826,723)
NET ASSETS - BEGINNING	1,736,488	36,817	901,111	954,770	451,817	4,081,003
NET ASSETS - ENDING	\$ 1,642,752	\$ 51,419	\$ 960,134	\$ 932,731	\$ (1,332,756)	\$ 2,254,280

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, 2022**

	Total Governmental Funds	Long-Term Revenue and Expenses	Capital Related Items	Long-Term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Totals
REVENUES						
Real Property Taxes	\$ 3,177,865	\$ 0	\$ 0	0	\$ 0	\$ 3,177,865
Real Property Tax Items	23,846	0	0	0	0	23,846
Non Property Tax Items	1,572,039	0	0	0	0	1,572,039
Departmental Income	1,605,157	0	0	0	0	1,605,157
Intergovernmental Charges	330,067	0	0	0	0	330,067
Use of Money and Property	816	0	0	0	0	816
Licenses and Permits	272,450	0	0	0	0	272,450
Fines and Forfeitures	1,515	0	0	0	0	1,515
Sale of Property and Compensation for Loss	33,667	0	0	0	0	33,667
Interfund Revenue	26,000	0	0	0	0	26,000
Miscellaneous	14,751	0	0	0	0	14,751
State and Federal Aid	1,047,998	0	0	0	0	1,047,998
TOTAL REVENUES	8,106,171	0	0	0	0	8,106,171
EXPENDITURES						
General Government Support	1,132,836	(2,168)	54,216	20,311	243,626	1,448,821
Public Safety	1,377,705	(8,447)	185,885	0	985,688	2,540,831
Transportation	1,320,820	(1,899)	85,197	0	(339,902)	1,064,217
Culture and Recreation	63,726	(6)	3,873	0	689	68,281
Home and Community Service	1,754,589	(17)	313,681	0	(932,398)	1,135,855
Water Utilities	0	(1,378)	23,236	0	521,818	543,675
Sewer Utilities	0	(1,594)	108,433	0	746,692	853,531
Employee Benefits	1,649,573	158,513	0	0	(1,808,086)	0
Capital Outlay	2,240,823	0	(2,529,363)	0	581,874	293,334
Debt Service	463,761	(14,871)	0	(342,144)	0	106,746
TOTAL EXPENDITURES	10,003,833	128,133	(1,754,842)	(321,833)	0	8,055,291
Excess (Deficiency) of Revenues Over Expenditures	(1,897,662)	(128,133)	1,754,842	321,833	0	50,880
OTHER SOURCES (USES):						
Proceeds from Advanced Refunding	1,145,000	0	0	(1,145,000)	0	0
Payments to Escrow Agent	(1,120,311)	0	0	1,120,311	0	0
Operating Transfers In	560,000	0	0	0	(560,000)	0
Operating Transfers Out	(560,000)	0	0	0	560,000	0
Bond Anticipation Notes Redeemed from Appropriations	46,250	0	0	(46,250)	0	0
TOTAL OTHER SOURCES (USES)	70,939	0	0	(70,939)	0	0
NET CHANGE FOR THE YEAR	\$ (1,826,723)	\$ (128,133)	\$ 1,754,842	\$ 250,894	\$ 0	\$ 50,880

See notes to financial statements.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
MAY 31, 2022

	<u>CUSTODIAL FUNDS</u>	<u>PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS</u>
ASSETS		
Cash	\$ 230,952	\$ 0
Investment in Service Award Program	0	1,147,726
TOTAL ASSETS	<u>\$ 230,952</u>	<u>\$ 1,147,726</u>
LIABILITIES		
Due to Other Funds	\$ 6,565	\$ 0
Other Liabilities	0	0
TOTAL LIABILITIES	<u>6,565</u>	<u>0</u>
NET POSITION		
Restricted for:		
Individuals, Organizations and Other Governments	224,387	0
Length of Service Award Program	0	1,147,726
TOTAL NET POSITION	<u>224,387</u>	<u>1,147,726</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 230,952</u>	<u>\$ 1,147,726</u>

See notes to financial statements.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED MAY 31, 2022

	<u>PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS</u>
ADDITIONS:	
Contributions	\$ 53,000
Investment Income Earned	41,074
	<hr/>
TOTAL ADDITIONS	94,074
	<hr/>
DEDUCTIONS:	
Benefits Paid	60,400
Advisory and Other Administrative Fees	3,500
	<hr/>
TOTAL DEDUCTIONS	63,900
	<hr/>
CHANGE IN NET POSITION	30,174
NET POSITION, BEGINNING OF THE YEAR	1,117,552
	<hr/>
NET POSITION, END OF THE YEAR	\$ 1,147,726
	<hr/> <hr/>

See notes to financial statements.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

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.

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.

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.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

- 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 finances 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:

- Custodial Fund: Used to account for those funds held in custody and subsequent distributions, transmittal or release to other governments, individuals or to other funds.
- Pension (And Other Employee Benefit) Trust Fund: Used to account for those funds related to the Length of Service Award Program.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes

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

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data

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

2. Encumbrances

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

3. Budget Basis of Accounting

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

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

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

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.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets

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

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

K. Infrastructure

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

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

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

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

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 \$381,851 was paid from the General Fund on behalf of 21 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, 2022

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 three 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 7). 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 12). 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 8).

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 8). 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 12). The third item is related to other postemployment benefits reported in the government-wide statements (Note 7).

P. Risk Retention

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

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

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, 2022

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 \$419,325, \$42,307, and \$82,260, respectively.

Total Restricted balances at May 31, 2022 were as follows:

General Fund		\$ 419,325
Capital Fund		0
Water Fund		960,134
Sewer Fund		<u>932,731</u>
Total		<u>\$ 2,312,190</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, 2022.

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 \$552,293 assigned to be used to reduce the tax levy for the year ending May 31, 2023. 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 \$51,419.

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, 2022

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. Future Changes in Accounting Standards

GASB has issued Statement 87, Leases, which will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were not classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying asset. Under, this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

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	\$ 30,663,691
Accumulated Depreciation	<u>(14,483,706)</u>
Capital Assets, Net	<u>\$ 16,179,985</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, 2022	<u>\$ 39,977</u>
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VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

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	\$ 3,811,627
Other Postemployment Benefits	14,130,529
Net Pension Liability – LOSAP	1,576,511
Compensated Absences	<u>207,781</u>
	<u>\$ 19,729,448</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, 2022 were as follows:

Deferred Outflows of Resources – Pension	\$ 1,572,125
Net Pension Asset, Proportionate Share (ERS)	284,670
Net Pension Liability, Proportionate Share (PFRS)	(138,176)
Deferred Inflows of Resources – Pension	<u>(2,373,048)</u>
	<u>\$ (654,429)</u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

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
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

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)	\$ 9,322,110
Net Bond Refunding Activity	(24,689)
Proceeds from Obligations	(1,145,000)
BAN's redeemed from appropriations	(46,250)
	\$ 8,106,171
	\$ 8,106,171

Total Expenditures and Other Uses/Expenses:

Total expenditures and other uses reported in Governmental Funds (Schedule #5)	\$ 11,124,144
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)	(15,509)
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)	369,719

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

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>	64,239
<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 \$2,529,363 is more than depreciation of \$774,521 in the current year. (Schedule #6)</p>	(1,754,842)
<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 \$(123,388) and ERS of \$(152,057)) (Schedule 6)</p>	(275,445)
<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>	(14,871)
<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>	(15,894)
<p>Issuance cost related to bond refunding.</p>	20,311
<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>	(326,250)
<p style="text-align: center;">Total expenses in the Statement of Activities (Schedule #2)</p>	<p style="text-align: center;"><u>\$ 8,055,291</u></p>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 3. FUTURE CHANGE IN ACCOUNTING PRINCIPLES

For the year ended May 31, 2023, the Village will implement GASB Statement #87, *Leases*. The implementation of the statement establishes criteria for leases for accounting and financial reporting purposes.

NOTE 4. CASH

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

At May 31, 2022, the carrying amount of the Village's deposits (cash, certificate of deposits, and interest-bearing savings accounts) was \$3,666,641 and the bank balance was \$3,606,296. The Village's deposits at May 31, 2022 were entirely covered by FDIC Insurance or by pledged collateral held by the Village's agent bank in the Village's name.

NOTE 5. INTERFUND ACTIVITY

Interfund receivables and payables at May 31, 2022, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 443,175	\$ 191,839
Water	318,457	213,300
Sewer	250,433	63,807
Capital	234,591	771,145
Custodial	0	6,565
Total	<u>\$ 1,246,656</u>	<u>\$ 1,246,656</u>

Interfund transfers in and transfers out for the year ended May 31, 2022, were as follows:

<u>Fund</u>	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General	\$ 100,000	\$ 0
Water	25,000	200,000
Sewer	0	335,000
Capital	435,000	25,000
Total	<u>\$ 560,000</u>	<u>\$ 560,000</u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended May 31, 2022, 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	1,519,883	326,908	0	1,846,791
Construction	6,208,296	0	0	6,208,296
Infrastructure	13,677,588	1,360,517	0	15,038,105
Machinery & Equipment	4,075,816	713,340	0	4,789,156
Vehicles	2,169,434	128,598	0	2,298,032
Total Depreciable Historical Cost	<u>27,651,017</u>	<u>2,529,363</u>	<u>0</u>	<u>30,180,380</u>
Less Accumulated Depreciation:				
Land Improvements	520,457	86,549	0	607,006
Construction	2,234,555	101,582	0	2,336,137
Infrastructure	5,180,172	374,434	0	5,554,606
Machinery & Equipment	3,882,120	151,906	0	4,034,026
Vehicles	1,891,881	60,050	0	1,951,931
Total Accumulated Depreciation	<u>13,709,185</u>	<u>774,521</u>	<u>0</u>	<u>14,483,706</u>
Total Historical Cost, Net	<u>\$ 14,425,143</u>	<u>\$ 1,754,842</u>	<u>\$ 0</u>	<u>\$ 16,179,985</u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 6. CAPITAL ASSETS (Continued)

Depreciation was charged to governmental functions as follows:

General Government Support	\$ 54,216
Public Safety	185,885
Transportation	85,197
Culture and Recreation	3,873
Home and Community Services	313,681
Water Utilities	23,236
Sewer Utilities	<u>108,433</u>
Total Depreciation Expense	<u>\$ 774,521</u>

NOTE 7. LIABILITIES

A. Short-Term Debt

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

State law requires that BAN's issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. As of May 31, 2022, one Bond Anticipation Note (BAN) was outstanding for a total amount of \$958,750. 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, 2022.

<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>
Equipment	8/12/2021	420,000	0.29%	8/12/2022	\$ 420,000
Drainage	11/03/21	585,000	0.39%	11/3/2022	538,750
Total BAN's Payable					<u>\$ 958,750</u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 7. LIABILITIES (Continued)

A. Short-Term Debt (Continued)

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

Interest paid	\$ 3,335
Less: Interest accrued-prior year	(1,855)
Add: Interest accrued-current year	<u>2,133</u>
Total Short-Term Interest	<u><u>\$ 3,613</u></u>

B. 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, 2022, the total bond principal indebtedness outstanding of the Village of Highland Falls aggregated \$3,605,000.

The following is a summary of the Village's outstanding bonds for the year ending May 31, 2022.

<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	\$ 320,000
2019 Refunding	6/6/2019	2,140,000	Var.	5/31/2035	1,935,000
2012 Refinancing	5/1/2012	3,145,000	Var.	7/1/2034	125,000
2022 Refunding	4/26/2022	1,145,000	Var.	7/1/1934	1,145,000
2016 Public Improvements	3/2/2016	262,500	Var.	3/1/2025	<u>80,000</u>
Total Bonds Payable					<u><u>\$ 3,605,000</u></u>

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

Interest paid	\$ 134,176
Less: Interest accrued-prior year	(52,994)
Less: Current Year Amortization of Premium	(15,894)
Add: Interest accrued-current year	<u>37,844</u>
Total Long-Term Interest	<u><u>\$ 103,132</u></u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 7. LIABILITIES (Continued)

B. Long -Term Debt (Continued)

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

	Beginning Balance	Issued	Redeemed	Ending Balance
<u>Governmental Activities</u>				
Serial Bonds*	\$ 4,062,521	\$ 0	\$ 250,894	\$ 3,811,627
Other liabilities:				
Other Postemployment Benefits	18,730,613	(4,218,233)	381,851	14,130,529
Net Pension Liability - LOSAP	2,063,131	0	486,620	1,576,511
Net Pension Liability - Proportionate Share	494,863	0	356,687	138,176
Compensated Absences	223,290	(15,509)	0	207,781
Total Long-Term Liabilities	\$ 25,574,418	\$ (4,233,742)	\$ 1,476,052	\$ 19,864,624

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, 2022, the serial bonds include unamortized premium of \$206,627. This amount is being amortized over the life of the debt issue to which it relates.

Year	Principal	Interest	Total
2023	\$ 310,000	\$ 96,205	\$ 406,205
2024	315,000	93,691	408,691
2025	320,000	85,254	405,254
2026	295,000	76,257	371,257
2027	315,000	67,040	382,040
2028-2032	1,120,000	170,348	1,290,348
2033-2036	930,000	56,528	986,528
	\$ 3,605,000	\$ 645,323	\$ 4,250,323

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 7. LIABILITIES (Continued)

B. Long-Term Debt (Continued)

On April 26, 2022, the Village issued \$1,145,000 in general obligation bonds with an average interest rate of 2.39% to advance refund \$1,225,000 of outstanding serial bonds with an average interest rate of 3.86%. The net proceeds of \$1,120,311 (after payment of \$24,688 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 Village'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 \$51,465.

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 \$1,196 per month. |
| B) Family Pre-Age 65: | Generally \$2,764 per month. |
| C) Individual Post-Age 65: | Generally \$393 per month. |
| D) Family Post-Age 65: | Generally \$1,110 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.

Medicare Part B Premiums: paid by the Village at \$170.10/mo.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 7. LIABILITIES (Continued)

C. Postemployment Benefits (Continued)

Eligibility: Eligibility requirements are as follows:

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

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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	21
Active employees	<u>28</u>
Total Employees Covered by Benefit Terms	<u><u>49</u></u>

Total OPEB Liability

The Village's total OPEB liability of \$14,130,529 was measured as of May 31, 2022, and was determined by an actuarial valuation as of that date.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 7. LIABILITIES (Continued)

C. Postemployment Benefits (Continued)

Actuarial Assumptions and Other Inputs – The total OPEB liability in the May 31, 2022 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	6/1/2021 (5/31/2021 disclosures)
Projected Salary Increases	3% per annum
Discount Rate	3.70% (2.70% and 4.70% are illustrated for sensitivity)
Rate of Inflation	3% per annum
Mortality	RP-2006 mortality table, MP-2020 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, the average expected future working lifetime of the whole group. For assumption change gains/losses, the average expected future working lifetime of the whole group

The discount rate was based on S&P Municipal Bond 20-year High Grade Rate Index as of May 31, 2022.

The actuarial assumptions used in the June 1, 2021 valuation were based on the results of an actuarial experience study for the period June 1, 2021 - May 31, 2022.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 7. LIABILITIES (Continued)

C. Postemployment Benefits (Continued)

Changes in the Total OPEB Liability

Balance at May 31, 2021	\$ 18,730,613
<u>Changes for the Year:</u>	
Service cost	661,760
Interest	294,781
Differences between expected and actual experience	732,504
Changes in assumptions or other inputs	(5,907,278)
Benefit payments	(381,851)
Net Changes	(4,600,084)
Balance at May 31, 2022	\$ 14,130,529

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 (2.70 percent) or 1 percentage point higher (4.70 percent) than the current discount rate:

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
Total OPEB Liability	\$ 16,930,191	\$ 14,130,529	\$ 11,330,867

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	\$ 11,887,230	\$ 14,130,529	\$ 16,760,550

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 7. 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, 2022, the Village recognized OPEB expense of \$751,570. At May 31, 2022, 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	\$ 1,242,898	\$ 420,799
Changes of assumptions or other inputs	2,415,057	5,063,381
Village's contributions subsequent to the measurement date	<u>0</u>	<u>0</u>
Total	<u>\$ 3,657,955</u>	<u>\$ 5,484,180</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, 2022. 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>
2023	\$ (204,971)
2024	(204,971)
2025	(204,968)
2026	(224,620)
2027	(247,445)
Annually Thereafter (1 year)	(739,250)

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 8. PENSION PLANS

Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). ERS and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as New York State and Local Retirement System (the ERS System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the ERS System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the ERS System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 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.

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

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 8. 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
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 8. 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.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 8. 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:

	<u>ERS</u>	<u>PFRS</u>
2022	\$ 174,460	\$ 213,590
2021	\$ 141,904	\$ 185,976
2020	\$ 150,836	\$ 175,953

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.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 8. PENSION PLANS (Continued)

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

At May 31, 2022, 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, 2022 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	4/1/2021	4/1/2021
Net Pension Asset/(Liability)	\$ 284,670	\$ (138,176)
Village's Portion of the Plan's Total Net Pension Asset/(Liability)	0.0034824%	0.0243249%

For the year ended May 31, 2022, the Village's recognized pension expense of \$12,815 for ERS and \$83,818 for PFRS. At May 31, 2022 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	\$ 21,558	\$ 74,492	\$ 96,050
Changes of Assumptions	475,082	827,015	1,302,097
Net difference between projected and actual earnings on pension plan investments	0	0	0
Changes in proportion and difference between the Village's contributions and proportionate share of contributions	45,359	79,917	125,276
Village's contributions subsequent to the measurement date	19,488	29,214	48,702
Total	\$ 561,487	\$ 1,010,638	\$ 1,572,125

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 8. PENSION PLANS (Continued)

	Deferred Inflows or Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 27,963	\$ 0	\$ 27,963
Changes of Assumption	8,016	0	8,016
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	932,175	1,161,041	2,093,216
Changes in proportion and difference between the Village's contributions and proportionate share of contributions	14,493	229,360	243,853
Total	<u>\$ 982,647</u>	<u>\$ 1,390,401</u>	<u>\$ 2,373,048</u>

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, 2022. 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>
2023	\$ 65,455	\$ 99,342
2024	97,794	127,868
2025	234,218	299,578
2026	43,180	(137,845)
2027	0	20,036

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 8. 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:

	ERS	PFRS
Measurement Date	March 31, 2022	March 31, 2022
Inflation Rate	2.7%	2.7%
Projected Salary Increases	4.40%	6.20%
Projected Cost of Living Adjustments	1.4%	1.4%
Investment Rate of Return	5.9% compounded annually, net of investment expenses	5.9% compounded annually, net of investment expenses
Decrements	Actuarial experience study for the period April 1, 2015 to March 31, 2020	Actuarial experience study for the period April 1, 2015 to March 31, 2020
Mortality Improvement	Society of Actuaries Scale MP-2020	Society of Actuaries Scale MP-2020

For ERS and PFRS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on MP-2020.

For ERS and PFRS, the actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 8. 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, 2022	
	Target Allocation	Long-term expected real rate of return
<u>Asset Class:</u>		
Domestic Equity	32%	3.30%
International Equity	15%	5.85%
Private Equity	10%	6.50%
Real Estate	9%	5.00%
Opportunistic/ARS Portfolio	3%	4.10%
Credit	4%	3.78%
Real Assets	3%	5.80%
Fixed Income	23%	0.00%
Cash	1%	-1.00%
Total	100%	

The real rate of return is net of the long-term inflation assumption of 2.50 percent.

Discount Rate

The discount rate used to calculate the total pension liability was 5.9% 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, 2022

NOTE 8. 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 5.9% 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 (4.9% for ERS and PFRS) or 1-percentage-point higher (6.9% for ERS and PFRS) than the current rate:

ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (732,737)	\$ 284,670	\$ 1,135,682

PFRS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (1,536,997)	\$ (138,176)	\$ 1,019,676

Pension Plan Fiduciary Net Position

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

Measurement Date	(Dollars in Thousands)	
	ERS	PFRS
	March 31, 2022	March 31, 2022
Employers' total pension asset/(liability)	\$ (223,874,888)	\$ (42,237,292)
Plan net position	232,049,473	41,669,250
Employer's net pension asset/(liability)	<u>\$ 8,174,585</u>	<u>\$ (568,042)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	103.65%	98.66%

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 8. 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 31st. Accrued retirement contributions as of May 31, 2022 represent the projected employer contributions for the period of April 1, 2022 through May 31, 2022 based on paid ERS and PFRS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2022 amounted to \$48,702.

NOTE 9. UNASSIGNED BALANCES.

Of the \$1,642,752 in General fund balance, \$671,134 is considered Unassigned. Other General Fund Balances are as follows at May 31, 2022:

Capital Reserve	\$ 419,325
Designated for Subsequent Year	<u>552,293</u>
Total	<u>\$ 971,618</u>

NOTE 10. CONTINGENCIES.

The Village has received grants which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. Based on past audits, the Village administration believes disallowances, if any, will be immaterial.

NOTE 11. USE OF ESTIMATES.

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

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 12. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) FOR DEFINED BENEFIT PLANS.

The Village of Highland Falls' financial statements are for the year ended May 31, 2022. 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, 2021, 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, 2022

NOTE 12. 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 March 2022.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 12. 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, 2021 \$ 1,292,536

Less: Assets Available for Benefits

	<u>% of total</u>		
Insurance Contracts	97%	\$ 1,130,850	
Checking Account	3%	33,374	

Less: Liabilities (0)

Total Net Assets Available for Benefits 1,164,224

Total Unfunded Benefits 128,312

Less: Unfunded Liability (128,312)

Unfunded Normal benefits \$ 0

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 \$ 1,131,204

Changes during the year:

+ Plan contribution \$53,000

+ Investment income earned 173

+ Changes in fair market value of investments 24,487

- Plan Benefit Withdrawals (44,600)

Plan Net Assets, end of year \$ 1,164,224

Contributions

Amount of sponsor's contribution recommended by actuary: \$ 37,428

Amount of sponsor's actual contribution: \$ 53,000

Administration Fees

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

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 12. 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 \$1,576,511 was measured as of May 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total LOSAP liability in the May 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified

Discount Rate: 3.36% (Based on Fidelity 20-Year GO AA Bond Index)

Inflation Rate: 8.00%

Measurement Date: May 31, 2022

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, 2021	<u>\$ 2,063,131</u>
<u>Changes for the Year:</u>	
Service cost	41,829
Interest	40,627
Changes of benefit terms	0
Differences between expected and actual experience	16,152
Changes in assumptions or other inputs	(524,108)
Benefit payments	<u>(61,120)</u>
Net Changes	<u>(486,620)</u>
Balance at May 31, 2022	<u>\$ 1,576,511</u>

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022

NOTE 12. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) FOR DEFINED BENEFIT PLANS. (Continued)

For the year ended May 31, 2022, the Village recognized LOSAP expense of \$125,359. At May 31, 2022, 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	\$ 61,730	\$ 52,255
Changes of assumptions or other inputs	<u>320,805</u>	<u>552,947</u>
Total	<u>\$ 382,535</u>	<u>\$ 605,202</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, 2022. 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>
2023	\$ (8,792)
2024	(8,792)
2025	(8,792)
2026	(8,792)
2027	(18,068)
Thereafter	(160,639)

NOTE 13. SUBSEQUENT EVENTS

Subsequent events were evaluated through January 13, 2023, which is the date the financial statements were available to be issued. As of this date, there are no subsequent events to report.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2022

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes	\$ 3,175,960	\$ 3,175,960	\$ 3,177,866	\$ 1,906
Real Property Tax Items	20,000	20,000	23,846	3,846
Non-Property Tax Items	1,335,000	1,335,000	1,572,039	237,039
Departmental Income	19,500	19,500	17,692	(1,808)
Use of Money and Property	6,000	6,000	676	(5,324)
Licences and Permits	25,000	25,000	272,450	247,450
Fines and Forfeitures	10,000	10,000	1,515	(8,485)
Sale of Property and Compensation for Loss	0	10,667	31,872	21,205
Miscellaneous	0	0	9,352	9,352
Interfund Revenues	26,000	26,000	26,000	0
State and Federal Aid	95,000	95,000	220,838	125,838
TOTAL REVENUES	<u>4,712,460</u>	<u>4,723,127</u>	<u>5,354,145</u>	<u>\$ 631,018</u>
OTHER SOURCES				
Appropriated Fund Balance	598,245	793,845	0	
Interfund Transfers	100,000	100,000	100,000	
TOTAL OTHER SOURCES	<u>698,245</u>	<u>893,845</u>	<u>100,000</u>	
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 5,410,705</u>	<u>\$ 5,616,972</u>	<u>\$ 5,454,145</u>	
EXPENDITURES				
General Government Support	\$ 1,162,894	\$ 1,287,984	\$ 1,039,900	\$ 248,084
Public Safety	1,577,182	1,577,244	1,377,705	199,539
Health	1,000	1,000	0	1,000
Transportation	749,017	830,132	1,320,820	(490,688)
Culture and Recreation	121,500	121,500	63,726	57,774
Home and Community Services	53,500	53,500	7,675	45,825
Employee Benefits	1,394,848	1,394,848	1,411,983	(17,135)
Debt Service	350,764	350,764	350,761	3
TOTAL EXPENDITURES	<u>\$ 5,410,705</u>	<u>\$ 5,616,972</u>	<u>\$ 5,572,570</u>	<u>\$ 44,402</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, 2022

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Departmental Income	\$ 597,500	\$ 597,500	\$ 531,763	\$ (65,737)
Intergovernmental Charges	282,000	282,000	328,775	46,775
Use of Money and Property	0	0	70	70
Sale of Property and Compensation for Loss	1,000	1,000	1,795	795
Miscellaneous	0	0	25	25
TOTAL REVENUES	<u>880,500</u>	<u>880,500</u>	<u>862,428</u>	<u>\$ (18,072)</u>
OTHER SOURCES				
Interfund Transfer	25,000	25,000	25,000	
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 905,500</u>	<u>\$ 905,500</u>	<u>\$ 887,428</u>	
EXPENDITURES				
General Government Support	\$ 125,000	\$ 125,000	\$ 92,936	\$ 32,064
Home and Community Services	394,853	394,853	366,867	27,986
Employee Benefits	93,770	93,770	86,726	7,044
Debt Service	81,877	81,877	81,876	1
TOTAL EXPENDITURES	<u>695,500</u>	<u>695,500</u>	<u>628,405</u>	<u>\$ 67,095</u>
OTHER USES				
Operating Transfers Out	210,000	210,000	200,000	
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 905,500</u>	<u>\$ 905,500</u>	<u>\$ 828,405</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, 2022

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Departmental Income	\$ 1,099,989	\$ 1,099,989	\$ 1,055,702	\$ (44,287)
Intergovernmental Charges	1,400	1,400	1,292	(108)
Use of Money and Property	100	100	70	(30)
TOTAL REVENUES	<u>\$ 1,101,489</u>	<u>\$ 1,101,489</u>	<u>\$ 1,062,438</u>	<u>\$ (39,051)</u>
EXPENDITURES				
Home and Community Services	\$ 572,833	\$ 572,833	\$ 567,489	\$ 5,344
Employee Benefits	152,532	152,532	150,864	1,668
Debt Service	31,124	31,124	31,124	0
TOTAL EXPENDITURES	<u>756,489</u>	<u>756,489</u>	<u>749,477</u>	<u>\$ 7,012</u>
OTHER USES				
Operating Transfers Out	<u>345,000</u>	<u>345,000</u>	<u>335,000</u>	
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 1,101,489</u>	<u>\$ 1,101,489</u>	<u>\$ 1,084,477</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, 2022**

	05/31/22	05/31/21	05/31/20	05/31/19	05/31/18
<u>Total OPEB Liability</u>					
Service cost	\$ 661,760	\$ 483,275	\$ 447,318	\$ 409,633	\$ 0
Interest	294,781	384,722	425,578	406,170	0
Changes of benefit terms	0	0	0	0	0
Differences between expected and actual experience	732,504	778,544	(736,396)	137,511	0
Changes in assumptions or other inputs	(5,907,278)	2,664,155	896,159	0	13,484,535
Benefit payments	(381,851)	(416,591)	(299,055)	(334,945)	0
Net change in total OPEB liability	(4,600,084)	3,894,105	733,604	618,369	13,484,535
Total OPEB liability-beginning	18,730,613	14,836,508	14,102,904	13,484,535	0
Total OPEB liability-ending	\$ 14,130,529	\$ 18,730,613	\$ 14,836,508	\$ 14,102,904	\$ 13,484,535
Covered-employee payroll	\$ 2,120,979	\$ 1,805,388	\$ 1,991,165	\$ 2,142,018	\$ 2,142,018
Total OPEB liability as a percentage of covered-employee pay ⁽¹⁾	666.23%	1037.48%	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.

See paragraph on supplemental schedules in auditor's report.

**VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED MAY 31, 2022**

	NYSERS Pension Plan Last 10 Fiscal Years*									
	3/31/2022	3/31/2021	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)	0.0034824%	0.0032633%	0.0032930%	0.0037292%	0.0038816%	0.0044014%	0.0049042%	0.0055094%	0.0055094%	
Village's proportionate share of the net pension asset/(liability)	\$ 284,670	\$ (3,249)	\$ (871,997)	\$ (264,223)	\$ (125,277)	\$ (413,569)	\$ (787,141)	\$ (186,120)	\$ (248,961)	
Village's covered-employee payroll	\$ 1,083,987	\$ 1,175,088	\$ 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	26.26%	-0.28%	-82.85%	-24.52%	-12.11%	-40.99%	-83.61%	-18.92%	-24.23%	
Plan fiduciary net position as a percentage of the total pension liability	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.95%	97.95%	
	NYSFPERS Pension Plan Last 10 Fiscal Years*									
	3/31/2022	3/31/2021	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)	0.024325%	0.028314%	0.022993%	0.026214%	0.025779%	0.027102%	0.027553%	0.024631%	0.024631%	
Village's proportionate share of the net pension asset/(liability)	\$ (138,176)	\$ (491,614)	\$ (1,228,942)	\$ (439,620)	\$ (260,538)	\$ (561,728)	\$ (815,781)	\$ (67,800)	\$ (102,542)	
Village's covered-employee payroll	\$ 700,422	\$ 825,489	\$ 856,054	\$ 742,708	\$ 822,814	\$ 741,641	\$ 1,125,705	\$ 1,326,444	\$ 1,085,706	
Village's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-19.73%	-59.55%	-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	98.66%	95.79%	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, 2022**

	NYSERS Pension Plan Last 10 Fiscal Years*									
	3/31/2022	3/31/2021	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014	
Contractually required contribution	\$ 174,460	\$ 141,904	\$ 150,836	\$ 149,736	\$ 146,903	\$ 156,740	\$ 181,653	\$ 197,248	\$ 222,957	
Contributions in relation to the contractually required contribution	174,460	141,904	150,836	149,736	146,903	156,740	181,653	197,248	222,957	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered Employee Payroll	\$ 1,083,987	\$ 1,175,088	\$ 1,052,442	\$ 1,077,666	\$ 1,054,811	\$ 1,008,834	\$ 941,388	\$ 983,974	\$ 1,027,410	
Contributions as a percentage of its covered-employee payroll	16.09%	12.08%	14.33%	13.89%	14.20%	15.54%	19.30%	20.05%	21.70%	

	NYSPPRS Pension Plan Last 10 Fiscal Years*									
	3/31/2022	3/31/2021	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014	
Contractually required contribution	\$ 213,590	\$ 185,976	\$ 175,953	\$ 180,526	\$ 186,465	\$ 198,827	\$ 207,099	\$ 193,477	\$ 193,409	
Contributions in relation to the contractually required contribution	213,590	185,976	175,953	180,526	186,465	198,827	207,099	193,477	193,409	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered Employee Payroll	\$ 700,422	\$ 825,489	\$ 856,054	\$ 742,708	\$ 822,814	\$ 741,641	\$ 1,125,705	\$ 1,326,444	\$ 1,089,706	
Contributions as a percentage of its covered-employee payroll	30.49%	22.53%	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, 2022**

	05/31/22	05/31/21	05/31/20	05/31/19	05/31/18	05/31/17
<u>Total OPEB Liability</u>						
Service cost	\$ 41,829	\$ 42,094	\$ 43,370	\$ 32,934	\$ 32,210	N/A
Interest	40,627	46,858	54,189	54,692	46,525	N/A
Changes of benefit terms	0	0	0	0	182,274	N/A
Differences between expected and actual experience	16,152	10,360	(68,827)	17,316	43,981	N/A
Changes in assumptions or other inputs	(524,108)	104,246	176,902	143,610	(50,579)	N/A
Benefit payments	(61,120)	(58,980)	(49,340)	(36,960)	(36,045)	N/A
Net change in total LOSAP liability	(486,620)	144,578	156,294	211,592	218,366	N/A
Total LOSAP liability-beginning	2,063,131	1,918,553	1,762,259	1,550,667	1,332,301	N/A
Total LOSAP liability-ending	\$ 1,576,511	\$ 2,063,131	\$ 1,918,553	\$ 1,762,259	\$ 1,550,667	\$ 1,332,301

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.

5/31/22 (5/31/21 Measurement Date)	3.36%
5/31/21 (5/31/20 Measurement Date)	2.00%
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, 2022**

	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 05/31/22 FISCAL YEAR	DUE WITHIN ONE YEAR
									FISCAL YEAR	FISCAL YEAR		
BANS												
Equipment	8/12/2021	8/12/2022	0.29%	0	420,000	0	0	420,000	0	0	964	420,000
Drainage	11/3/2021	11/3/2022	0.39%	585,000	0	46,250	0	538,750	3,335	1,169	538,750	538,750
				585,000	420,000	46,250	0	958,750	3,335	2,133	958,750	958,750
TOTAL BANS												
SERIAL BONDS												
Backwash/Screw Pumps - EFC	3/13/2003	10/15/2032	Various	345,000	0	25,000	0	320,000	6,124	1,662	320,000	25,000
2019 Refunding	6/6/2019	5/31/2035	Various	2,040,000	0	105,000	0	1,935,000	78,875	32,073	1,935,000	105,000
2012 Refinancing	5/1/2012	7/1/2034	Various	1,345,000	0	120,000	1,100,000	125,000	46,875	1,551	125,000	125,000
2022 Refunding	4/26/2022	7/1/1934	Various	0	1,145,000	0	0	1,145,000	0	1,862	1,145,000	20,000
2016 Public Improvements	3/2/2016	3/1/2025	Various	110,000	0	30,000	0	80,000	2,302	696	80,000	30,000
				3,840,000	1,145,000	280,000	1,100,000	3,605,000	134,176	37,844	3,605,000	305,000
TOTAL SERIAL BONDS												
				4,425,000	1,565,000	326,250	1,100,000	4,563,750	137,511	39,977	4,563,750	1,263,750
TOTAL												

See paragraph on supplemental schedules in auditor's report.
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VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED MAY 31, 2022

Capital Assets, Net		\$ 16,179,985
Deduct:		
Bond Anticipation Notes	\$ 958,750	
Short-Term Portion of Bonds Payable (including unamortized bond premium of \$15,894)	320,894	
Long-Term Portion of Bonds Payable (including unamortized bond premium of \$190,733)	3,490,733	
Less: Unspent Bond Proceeds	<u>(257,451)</u>	
Total Deductions		<u>4,512,926</u>
		 <u><u>\$ 11,667,059</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, 2022**

Project	Expenditures			Total	Proceeds of Obligations	Methods of Financing			Totals	Fund Balance (Deficit) May 31, 2022
	Prior Year	Current Year				State and Federal Aid	Local Sources			
Water Tank Painting	\$ 916,751	\$ 25,000	\$ 941,751	\$ 0	\$ 0	\$ 950,000	\$ 950,000	\$ 950,000	\$ 8,249	
Oak/Mearns Drainage	1,520,489	4,940	1,525,429	1,620,000	0	124,691	1,744,691	219,262		
Village Hall Repairs	72,399	0	72,399	0	0	85,000	85,000	12,601		
Sewer Plant 2019 Repairs	997,678	7,779	1,005,457	0	0	1,000,444	1,000,444	(5,013)		
Sewer Plant Fire Repairs	787,323	1,091,994	1,879,317	0	0	1,799,662	1,799,662	(79,656)		
Schneider Ave Drainage	214,012	0	214,012	0	0	46,250	46,250	(167,763)		
Roe Avenue	149,285	0	149,285	0	0	137,851	137,851	(11,434)		
Sidewalks and Paving	322,894	88,764	411,658	0	0	0	0	(411,658)		
Sewer Main Lining	0	217,990	217,990	0	0	0	0	(217,990)		
Water Main	0	260,741	260,741	0	0	150,000	150,000	(110,741)		
Sweeper and Skid Steer	0	335,409	335,409	0	0	0	0	(335,409)		
Storm Water Drainage	0	233,204	233,204	0	0	0	0	(233,204)		
	<u>\$ 4,980,831</u>	<u>\$ 2,265,821</u>	<u>\$ 7,246,652</u>	<u>\$ 1,620,000</u>	<u>\$ 137,851</u>	<u>\$ 4,156,047</u>	<u>\$ 5,913,898</u>	<u>\$ (1,332,756)</u>		

See paragraph on supplemental schedule in auditor's report



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
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

Norman M. Sassi, CPA
Walter J. Jung, 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, 2022, 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 January 13, 2023.

Report on Internal Control over Financial Reporting

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

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

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

questioned costs that we consider to be significant deficiencies. These significant deficiencies are identified as 2022-001 and 2022-002.

Report on Compliance and Other Matters

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

Village of Highland Falls' Response to Findings

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

Purpose of this Report

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



Montgomery, New York
January 13, 2023



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

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

Peter J. Bullis, CPA, FACFEI, DABFA
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 Walter J. Jung, CPA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Village of Highland Falls' compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Village of Highland Falls and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Village of Highland Falls' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Village of Highland Falls' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Village of Highland Falls' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Village of Highland Falls' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Village of Highland Falls' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Village of Highland Falls' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Village of Highland Falls' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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*

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

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compliance is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Yungert + Hausler, P.C.

Montgomery, New York
January 13, 2023

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2022

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

<u>FEDERAL ASSISTANCE LISTING NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
14.871	N/A	<u>\$ 812,558</u> <u>812,558</u>
		<u>\$ 812,558</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, 2022

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. There were no indirect costs during the year.

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.

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses

Yes No

Noncompliance material to financial statements noted?

Yes No

FEDERAL AWARDS

Internal Control Over Major Programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses

Yes No

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

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

Yes No

IDENTIFICATION OF MAJOR PROGRAMS:

<u>CFDA NUMBERS</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
----------------------------	--

14.871

Section 8 Housing Choice Vouchers

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

Auditee qualified as low-risk auditee?

Yes No

VILLAGE OF HIGHLAND FALLS
HIGHLAND FALLS, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2022

SECTION II FINANCIAL STATEMENT FINDINGS

Finding 2022-001 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 2022-002 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 ensure 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, 2022

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).

SECTION IV – SCHEDULE OF PRIOR PERIOD FINDINGS

None