

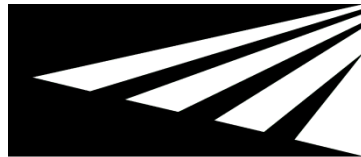


**INCORPORATED VILLAGE OF EAST HILLS**  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORTS  
May 31, 2021

**INCORPORATED VILLAGE OF EAST HILLS**  
**TABLE OF CONTENTS**

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	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis (MD&amp;A)</b>	3
<b>Basic Financial Statements:</b>	
Statement of Net Position	14
Statement of Activities	15
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Notes to Financial Statements	20
<b>Required Supplementary Information other than MD&amp;A</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	45
Schedule of the Village's Proportionate Share of the Net Pension Liability	49
Schedule of Village Pension Contributions	50
Schedule of Change in the Village's Service Award Program Liability	51
Schedule of Change in the Village's Total OPEB and Related Ratios	52
<b>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</b>	53



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of the  
Incorporated Village of East Hills:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Incorporated Village of East Hills (the "Village"), as of and for the year ended May 31, 2021, and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

# NawrockiSmith

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Incorporated Village of East Hills, as of May 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Changes in Accounting Principles and Prior Period Adjustment***

As described in Note 2 to the financial statements, in 2021 the Village adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***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, on pages 3-13 and 45-52 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2022, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Hauppauge, New York  
February 22, 2022



**INCORPORATED VILLAGE OF EAST HILLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Incorporated Village of East Hills' (Village) discussion and analysis of financial performance provides an overall review of the Village's financial activities for the fiscal year ended May 31, 2021 in comparison with the year ended May 31, 2020, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

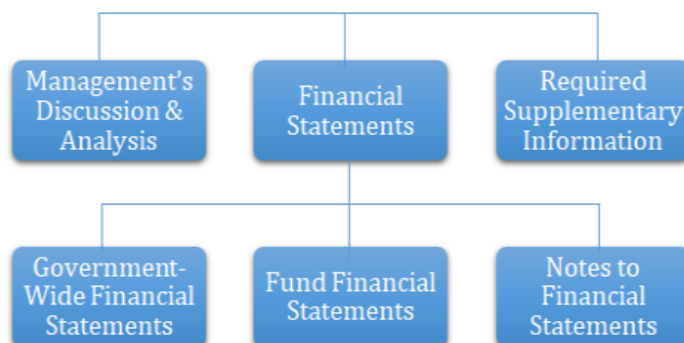
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2021 are as follows:

- The Village's total net position, as reflected in the Government-wide financial statements, increased by \$858,518. This was due to an excess of revenues over expenses using the economic resources measurement focus and the accrual basis of accounting. The resulting total net position at May 31, 2021, was \$2,048,108.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$1,230,899 to \$8,418,917. This was due to an excess of revenues over expenditures using the current financial resources measurement focus and the modified accrual basis of accounting.
- The Village's current and other assets, and current and other liabilities at May 31, 2020 were increased \$783,234, which is due to the implementation of GASB Statement No. 84, *Fiduciary Activities*, during the 2021 fiscal year; however, there was no change in net position.
- The Village is making progress with the ongoing security camera project to enhance security within the Village.
- On June 20, 2018, the Board of Trustees authorized various capital improvement projects not to exceed \$1,200,000. The approved projects are to be funded through the issuance of serial bonds and BANs. As of May 31, 2021, BANs in the amount of \$1,200,000 have been issued, and \$278,000 has been redeemed. The Village has expended \$473,622 as of May 31, 2021.
- The Village's 2021 property tax levy of \$8,616,460 was a 1.52% increase over the 2020 tax levy. The Village's property tax cap was 5.43%.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – Management's Discussion and Analysis (MD&A), the financial statements and required supplementary information. The financial statements consist of government-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



**INCORPORATED VILLAGE OF EAST HILLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**A. Government-wide Financial Statements**

The Government-wide financial statements are organized to provide an understanding of the fiscal performance of the Village as a whole in a manner similar to a private sector business. There are two Government-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the Village's finances. These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

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

The Statement of Activities

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

**B. Fund Financial Statements**

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

Governmental Funds

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

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

**INCORPORATED VILLAGE OF EAST HILLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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

The Village maintains two individual governmental funds: General Fund and Capital Projects Fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

**C. Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental funds financial statements.

**D. Other Information**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's compliance with budget for the general fund, pension information and the liability for length of service award program and postemployment benefits other than pensions (OPEB).

**3. FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE**

**A. Net Position**

The Village's total net position increased by \$858,518 between fiscal years 2021 and 2020. The increase is due to revenues in excess of expenses using the economic resources measurement focus and the accrual basis of accounting. A summary of the Village's Statements of Net Position follows:

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
<b>Assets</b>				
Current and Other Assets	\$ 10,697,962	\$ 9,774,985	\$ 922,977	9.44 %
Capital Assets, Net	22,018,548	23,412,819	(1,394,271)	(5.96)%
Total Assets	32,716,510	33,187,804	(471,294)	(1.42)%
<b>Deferred Outflows of Resources</b>	2,902,973	4,568,849	(1,665,876)	(36.46)%
<b>Liabilities</b>				
Current and Other Liabilities	2,386,530	2,990,139	(603,609)	(20.19)%
Long-Term Liabilities	7,839,994	9,286,572	(1,446,578)	(15.58)%
Net Pension Liability -				
Proportionate Share	9,617	2,367,949	(2,358,332)	(99.59)%
Service award program	2,318,023	1,813,037	504,986	27.85 %
Total OPEB Liability	17,720,237	19,874,246	(2,154,009)	(10.84)%
Total Liabilities	30,274,401	36,331,943	(6,057,542)	(16.67)%

**INCORPORATED VILLAGE OF EAST HILLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
<b>Deferred Inflows of Resources</b>	\$ 3,296,974	\$ 235,120	\$ 3,061,854	1,302.25 %
<b>Net Position</b>				
Net Investment in Capital Assets	14,818,548	14,827,820	(9,272)	(0.06)%
Restricted	1,105,777	1,016,380	89,397	8.80 %
Unrestricted (Deficit)	(13,876,217)	(14,654,610)	778,393	5.31 %
Total Net Position	\$ 2,048,108	\$ 1,189,590	\$ 858,518	72.17 %

The May 31, 2020 current and other assets, and current and other liabilities were increased \$783,234, resulting from the implementation of GASB Statement No. 84, *Fiduciary Activities*; however, there was no change in total net position.

The increase in current and other assets is principally due to the increase in cash balances, offset by the decrease in prepaids.

The decrease in capital assets, net is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 6, provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement date and actuarial adjustments of the pension plans that will be amortized in future years, and the unamortized portion of deferred charges from the 2012 advance bond refunding.

The decrease in current and other liabilities is primarily the result of decreases in accounts payable and bond anticipation notes payable, offset by an increase in other liabilities.

The decrease in long-term liabilities is mainly the result of the principal repayment of bonds.

Net pension liability – proportionate share represents the Village's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 10, provides additional information.

The service award program liability is the Village's proportionate share of the LOSAP liability at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 12, provides additional information.

Total other postemployment benefits liability decreased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 13, provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension plans that will be amortized in future years.

The net investment in capital assets reflects the Village's investment at cost less accumulated depreciation and any debt used to acquire those assets that is still outstanding. As permitted by the Governmental Accounting Standards Board (GASB), the Village did not include infrastructure assets placed in service prior to June 1, 2004. The Village uses its capital assets to provide services to the residents of the Village;



**INCORPORATED VILLAGE OF EAST HILLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

consequently, they are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position at May 31, 2021 represents amounts restricted for unemployment claims and the Village's proportionate share of service award program assets.

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

**B. Changes in Net Position**

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

	2021	2020	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services, Fees, Permits & Fines	\$ 1,458,781	\$ 1,382,553	\$ 76,228	5.51 %
Capital Grants	396,364	310,269	86,095	27.75 %
General Revenues				
Property Taxes	8,605,046	8,471,136	133,910	1.58 %
State Sources	725,550	227,183	498,367	219.37 %
Other	748,157	789,562	(41,405)	(5.24)%
Total Revenues	<u>11,933,898</u>	<u>11,180,703</u>	<u>753,195</u>	6.74 %
<b>Expenses</b>				
General Support	2,182,797	2,289,064	(106,267)	(4.64)%
Public Safety	3,571,885	3,741,094	(169,209)	(4.52)%
Health	1,740	1,150	590	51.30 %
Transportation	2,421,244	2,427,083	(5,839)	(0.24)%
Economic Opportunity & Development	9,011	16,129	(7,118)	(44.13)%
Culture & Recreation	1,533,083	2,032,384	(499,301)	(24.57)%
Home & Community Services	1,122,772	1,168,567	(45,795)	(3.92)%
Debt Service - Interest	232,848	292,798	(59,950)	(20.47)%
Total Expenses	<u>11,075,380</u>	<u>11,968,269</u>	<u>(892,889)</u>	(7.46)%
Increase in Net Position	<u>\$ 858,518</u>	<u>\$ (787,566)</u>	<u>\$ 1,646,084</u>	209.01 %

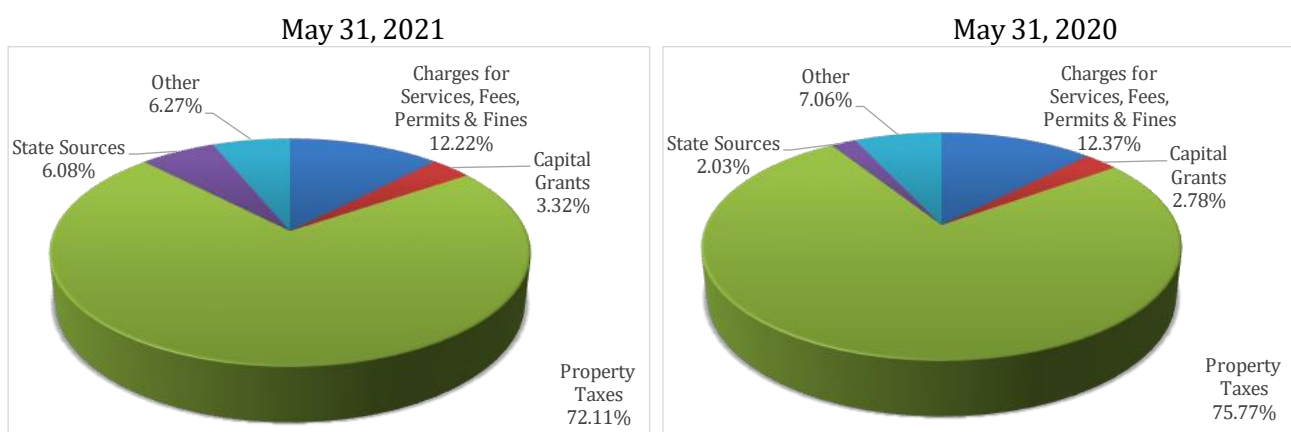
Fiscal 2021 revenues increased \$753,195 (6.74%) compared to 2020. The increase in revenues is primarily the result of increases in property taxes and state sources, offset by the decrease in other revenues. Property taxes increased based on the Board approved budget, while state sources increased as the Village received

**INCORPORATED VILLAGE OF EAST HILLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

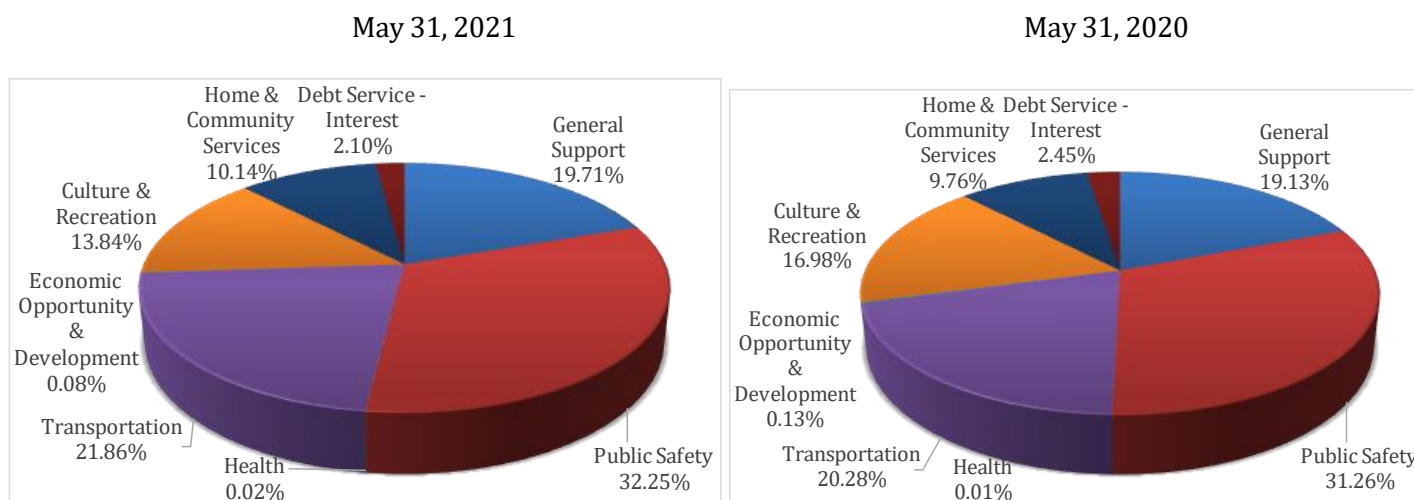
\$500,000 from New York State in grants for roadwork (\$250,000) and security cameras (\$250,000). Other revenues decreased mainly due to lower interest revenues and insurance recoveries.

Fiscal 2021 expenses decreased \$892,889 (7.46%) from 2020 expenses. The decrease in expenses is primarily due to the impact of the net change in the actuarially determined pension and OPEB costs, which affected the allocation of employee benefits to the various functions of expense. The decrease in culture and recreation results from the Village using its own personnel to maintain the landscaping at the park instead of an outside contractor, resulting in a savings of approximately \$100,000, and a reduction in seasonal salaries and wages of approximately \$110,000, as a result of the park facilities not being open the entire season due to the COVID-19 pandemic.

As indicated by the pie charts that follow, real property taxes is the largest component of revenues:



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



#### **4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUND BALANCES**

As noted earlier, the Village uses fund accounting to maintain control over resources and to ensure and demonstrate compliance with finance-related legal requirements. The Village's governmental funds utilize the current financial resources measurement focus and the modified accrual basis of accounting.

**INCORPORATED VILLAGE OF EAST HILLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

At May 31, 2021, the Village's governmental funds reported a combined fund balance of \$8,223,295, which is an increase of \$1,508,899 over the prior year. This increase is due to an excess of revenues and other financing sources over expenditures using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

	2021	2020	Increase (Decrease)	Percentage Change
<b>General Fund</b>				
Nonspendable: Prepaids	\$ 340,141	\$ 441,759	\$ (101,618)	(23.00)%
Restricted for:				
Unemployment	15,955	15,954	1	0.01 %
Service award program	1,089,822	1,000,426	89,396	8.94 %
Assigned:				
Appropriated fund balance	1,897,938	1,997,941	(100,003)	(5.01)%
Tree fund	15,300	12,000	3,300	27.50 %
Unappropriated fund balance	62,904	278,184	(215,280)	(77.39)%
Unassigned: Fund balance	4,996,857	3,441,754	1,555,103	45.18 %
Total General Fund	<u>8,418,917</u>	<u>7,188,018</u>	<u>1,230,899</u>	17.12 %
<b>Capital Projects Fund</b>				
Unassigned: Fund Balance (Deficit)	<u>(195,622)</u>	<u>(473,622)</u>	<u>278,000</u>	58.70 %
Total Fund Balance	<u>\$ 8,223,295</u>	<u>\$ 6,714,396</u>	<u>\$ 1,508,899</u>	22.47 %

**A. General Fund**

The general fund total fund balance increased \$1,230,899 compared to a decrease of \$387,472 in 2020. Revenues of \$11,947,260 increased \$790,095 over 2020 revenues. Increases in property taxes, licenses and permits, and state sources were offset by decreases in departmental income and fines and forfeitures. Expenditures of \$10,716,361 decreased \$828,276. Expenditures in transportation decreased by \$1,090,709 as the Village did not perform any roadwork improvements due to the COVID-19 pandemic. Expenditures in public safety increased by \$212,707, primarily due to the Village expending \$117,953 more on equipment for the security camera project and \$50,415 more for fire protection contracts.

Nonspendable: Prepaids fund balance is associated with prepaid items at May 31, 2021, which primarily consists of prepaid insurance premiums for coverage extending beyond May 31, 2021, and a debt service interest payment that was due June 1, 2020. Restricted fund balance for unemployment relates to the Village's reserve for unemployment insurance. Restricted fund balance for the service award program is the Village's proportionate share of LOSAP assets that are held in trust for benefits payable to plan members in accordance with GASB 73. The assets are not protected from creditors of the Village and the Village cannot access these assets. Assigned, appropriated fund balance is the amount authorized by the Village Board to be used towards the 2021-2022 budget. Assigned, tree fund represents fees collected from residents, where there is removal of trees due to construction, alterations or water, that are available to be used to purchase plantings within the Village. Assigned, unappropriated fund balance is the amount of outstanding encumbrances at year end, primarily for security cameras.

**B. Capital Projects Fund**

The capital projects fund total fund balance increased \$278,000, which is the result of proceeds of BANs redeemed from appropriations.

**INCORPORATED VILLAGE OF EAST HILLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2020-2021 Budget**

The Village's general fund adopted budget for the year ended May 31, 2021, was \$13,005,392. This was a decrease of \$119,510 or 0.91% from the prior year's adopted budget. This amount was increased by \$278,184 of encumbrances carried forward from the prior year for a total final budget of \$13,283,576.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$8,616,460 in estimated real property taxes and \$1,997,941 of appropriated fund balance.

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

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

Opening, Unassigned Fund Balance	\$ 3,441,754
Revenues Over Budget	939,809
Expenditures and Encumbrances Under Budget	2,504,311
Change in Nonspendable Fund Balance	101,618
Increase in Tree Fund	(3,300)
Increase in Restricted Fund Balance	(89,397)
Appropriated for the 2021-2022 Budget	<u>(1,897,938)</u>
Closing , Unassigned Fund Balance	<u><u>\$ 4,996,857</u></u>

**Opening, Unassigned Fund Balance**

The \$3,441,754 shown in the table is the portion of the Village's May 31, 2020 fund balance that was retained as unassigned.

**Revenues Over Budget**

The 2020-2021 final budget for revenues was \$11,007,451. Actual revenues recognized for the year were \$11,947,260. The excess of actual revenues over estimated or budgeted revenues was \$939,809. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

**INCORPORATED VILLAGE OF EAST HILLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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Expenditures and Encumbrances Under Budget

The 2020-2021 final budget for expenditures, including prior year encumbrances as of May 31, 2020, was \$13,283,576. Actual expenditures were \$10,716,361 and open encumbrances were \$62,904. The final budget variance was \$2,504,311, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2020 to May 31, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Change in Nonspendable Fund Balance

The Village prepaid various insurance premiums and a debt service interest payment at May 31, 2021. The resulting balance sheet asset (prepaids) cannot be spent because it is not in spendable form, meaning it will not be converted to cash. Accordingly, an equal amount of fund balance is classified as nonspendable. The decrease in nonspendable fund balance increases unassigned fund balance.

Increase in Tree Fund

Amounts collected in the current year and assigned to the tree fund have the effect of decreasing the unassigned fund balance.

Increase in Restricted Fund Balance

The \$89,397 shown on the previous table represents interest earned by the unemployment reserve and the Village's proportionate share of the increase in LOSAP assets, which has the effect of decreasing the unassigned fund balance.

Appropriated Fund Balance

The Village has chosen to use \$1,897,938 of the available May 31, 2021 fund balance to partially fund the 2021-2022 approved operating budget. As such, the unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary of changes shown on the previous table, the Village will begin the 2021-2022 fiscal year with an unassigned fund balance of \$4,996,857.

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

**A. Capital Assets**

At May 31, 2021, the Village had invested in a broad range of capital assets, as indicated in the following table. The net decrease in capital assets is due to depreciation expense of \$1,692,290 in excess of capital additions of \$298,019 recorded for the year ended May 31, 2021. A summary of the Village's capital assets, net of depreciation at May 31, 2021 and 2020, is as follows:

**INCORPORATED VILLAGE OF EAST HILLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Capital assets not being depreciated			
Land	\$ 2,520,000	\$ 2,520,000	\$ -
Capital assets being depreciated			
Buildings	243,750	256,250	(12,500)
Site improvements	7,511,642	8,261,054	(749,412)
Machinery and equipment	976,848	952,828	24,020
Infrastructure	10,766,308	11,422,687	(656,379)
	<u>\$ 22,018,548</u>	<u>\$ 23,412,819</u>	<u>\$ (1,394,271)</u>

**B. Debt Administration**

Historically, the Village has issued serial bonds to fund various capital projects and equipment acquisitions. A summary of the Village's outstanding long-term debt at May 31, 2021, is summarized as follows:

		<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
5/18/2006	4.25 - 4.50%	\$	\$ 90,000	\$ (90,000)
5/28/2009	2.00 - 3.625%	1,260,000	1,650,000	(390,000)
2/2/2012	2.00 - 4.00%	5,940,000	6,845,000	(905,000)
		<u>\$ 7,200,000</u>	<u>\$ 8,585,000</u>	<u>\$ (1,385,000)</u>

Additionally, the Village has a bond anticipation note outstanding of \$922,000 at May 31, 2021.

The Village's outstanding serial bonds and bond anticipation note at May 31, 2021, are approximately 5.25% of the Village's debt limit.

The Village's latest underlying, long-term credit rating from Moody's Investors Service, Inc. in Aa1.

**C. Other Long-Term Liabilities**

Included in the Village's long-term liabilities are the estimated amounts due for compensated absences, which is based on the Village's personnel manual or employment contracts, and total other postemployment benefits liability, net pension liability – proportionate share, and service award program liability, which are based on actuarial valuations.

**INCORPORATED VILLAGE OF EAST HILLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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	2021	2020	Increase (Decrease)
Compensated absences payable	\$ 551,243	\$ 581,674	\$ (30,431)
Net pension liability - proportionate share	9,617	2,367,949	(2,358,332)
Service award program liability	2,318,023	1,813,037	504,986
Total other postemployment benefits liability	17,720,237	19,874,246	(2,154,009)
	<u>\$ 20,599,120</u>	<u>\$ 24,636,906</u>	<u>\$ (4,037,786)</u>

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The Board of Trustees approved a \$12,951,797 general fund budget for the year ending May 31, 2022. This is a decrease of \$53,595 (0.41%) from the previous year's budget.

The tax levy is expected to increase \$184,491 (2.14%) levy to levy. In compliance with the Village goal of tax containment, the property tax rate remains unchanged from 2011. The tax levy increase results from an increase in assessed property values. Other revenues are estimated to decrease \$138,083. Appropriated fund balance was decreased by \$100,003 to balance the budget.

**B. Future Budgets**

The property tax cap and uncertainty in state aid, as well as the continuing effect of the COVID-19 pandemic, will impact the Village's future budgets.

**C. Tax Cap**

New York law limits the increase in the property tax levy of local governments to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. Local governments may override the tax levy limit by first passing a local law that allows for the tax levy limit to be exceeded. The override vote requires a 60% vote of the total voting power of the governing board. Based on the law, the Village's tax levy cap for 2021-2022 is 4.87%. The Village's increase of 2.14% in the 2021-2022 levy was less than the tax cap and did not require an override vote.

**8. CONTACTING THE VILLAGE**

This financial report is designed to provide the Village's citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Clerk at the following:

Ms. Donna Gooch  
Village Clerk/Treasurer  
Incorporated Village of East Hills  
209 Harbor Hill Road  
East Hills, NY 11576

**INCORPORATED VILLAGE OF EAST HILLS**  
**Statement of Net Position**  
May 31, 2021

**ASSETS**

Cash	
Unrestricted	\$ 7,871,577
Restricted	742,333
Receivables	
Taxes receivable	172,130
Accounts receivable	59,588
Due from state and federal	422,371
Prepays	340,141
Service award program	1,089,822
Capital assets, net	<u>22,018,548</u>
 Total Assets	 <u>32,716,510</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charge from advance refunding	152,429
Pension	2,079,463
Service award program	<u>671,081</u>
 Total Deferred Outflows of Resources	 <u>2,902,973</u>

**LIABILITIES**

Payables	
Accounts payable	238,868
Accrued liabilities	219,102
Due to employees' retirement system	78,306
Other liabilities	928,254
Notes Payable	
Bond anticipation	922,000
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	1,366,664
Compensated absences payable	152,562
Due and payable after one year	
Bonds payable, net	5,922,087
Compensated absences payable	398,681
Net pension liability - proportionate share	9,617
Service award program liability	2,318,023
Total other postemployment benefits liability	<u>17,720,237</u>
 Total Liabilities	 <u>30,274,401</u>

**DEFERRED INFLOWS OF RESOURCES**

Pension	2,844,412
Service award program	111,344
Other postemployment benefits	<u>341,218</u>
 Total Deferred Inflows of Resources	 <u>3,296,974</u>

**NET POSITION**

Net investment in capital assets	14,818,548
Restricted:	
Unemployment	15,955
Service award program	1,089,822
Unrestricted (deficit)	<u>(13,876,217)</u>
 Total Net Position	 <u>\$ 2,048,108</u>



**INCORPORATED VILLAGE OF EAST HILLS**  
**Statement of Activities**  
For the Year Ended May 31, 2021

		Program Revenues		
		Charges for	Capital	Governmental
	Expenses	Services, Fees, Permits & Fines	Grants	Activities
<b>FUNCTIONS/PROGRAMS</b>				
<b>Governmental Activities</b>				
General support	\$ 2,182,797	\$ 1,269,771	\$	\$ (913,026)
Public safety	3,571,885	177,834		(3,394,051)
Health	1,740			(1,740)
Transportation	2,421,244		396,364	(2,024,880)
Economic opportunity and development	9,011			(9,011)
Culture and recreation	1,533,083	7,145		(1,525,938)
Home and community services	1,122,772	4,031		(1,118,741)
Debt service - interest	232,848			(232,848)
Total Functions and Programs	<u>\$ 11,075,380</u>	<u>\$ 1,458,781</u>	<u>\$ 396,364</u>	<u>(9,220,235)</u>
<b>GENERAL REVENUES</b>				
Real property taxes				8,605,046
Other real property tax items				209,724
Nonproperty taxes				362,267
Use of money and property				7,710
Minor sales and compensation for loss				14,753
Miscellaneous				153,703
State sources				725,550
Total General Revenues				<u>10,078,753</u>
Change in Net Position				858,518
Total Net Position - Beginning of year				<u>1,189,590</u>
Total Net Position - End of year				<u>\$ 2,048,108</u>

**INCORPORATED VILLAGE OF EAST HILLS**  
**Balance Sheet - Governmental Funds**  
May 31, 2021

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash			
Unrestricted	\$ 7,744,661	\$ 126,916	\$ 7,871,577
Restricted	15,955	726,378	742,333
Receivables			
Taxes receivable	172,130		172,130
Accounts receivable	59,588		59,588
Due from other funds	126,916		126,916
Due from state and federal	422,371		422,371
Prepays	340,141		340,141
Service award program	1,089,822		1,089,822
	<u>\$ 9,971,584</u>	<u>\$ 853,294</u>	<u>\$ 10,824,878</u>
<b>LIABILITIES</b>			
Payables			
Accounts payable	\$ 238,868	\$	\$ 238,868
Accrued liabilities	149,396		149,396
Due to other funds		126,916	126,916
Due to employees' retirement system	78,306		78,306
Other liabilities	928,254		928,254
Notes Payable			
Bond anticipation		922,000	922,000
	<u>1,394,824</u>	<u>1,048,916</u>	<u>2,443,740</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Resources not available for current use and are for subsequent year	<u>157,843</u>		<u>157,843</u>
<b>FUND BALANCE (DEFICIT)</b>			
Nonspendable: Prepays	340,141		340,141
Restricted for:			
Unemployment	15,955		15,955
Service award program	1,089,822		1,089,822
Assigned:			
Appropriated fund balance	1,897,938		1,897,938
Tree fund	15,300		15,300
Unappropriated fund balance	62,904		62,904
Unassigned: Fund balance (deficit)	<u>4,996,857</u>	<u>(195,622)</u>	<u>4,801,235</u>
	<u>8,418,917</u>	<u>(195,622)</u>	<u>8,223,295</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 9,971,584</u>	<u>\$ 853,294</u>	<u>\$ 10,824,878</u>

**INCORPORATED VILLAGE OF EAST HILLS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
May 31, 2021

Total Governmental Fund Balances	\$ 8,223,295
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Some of the Village's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.	157,843
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Deferred charge from advanced refunding is not reported in the Balance Sheet, but is reflected in the Statement of Net Position and amortized over the life of the related debt.	152,429
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The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the Village as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 42,809,697	
Less: Accumulated depreciation	<u>(20,791,149)</u>	
		22,018,548

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

Deferred outflows of resources	2,079,463	
Net pension liability - employees' retirement system	(9,617)	
Deferred inflows of resources	<u>(2,844,412)</u>	
		(774,566)

Proportionate share of long-term liability and deferred outflows and inflows associated with participation in the service award program are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	671,081	
Service award program liability	(2,318,023)	
Deferred inflows of resources	<u>(111,344)</u>	
		(1,758,286)

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

Total other postemployment benefits liability	(17,720,237)	
Deferred inflows of resources	<u>(341,218)</u>	
		(18,061,455)

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

Accrued interest on bonds and bond anticipation note payable	(69,706)	
Bonds payable and unamortized premium	(7,288,751)	
Compensated absences payable	<u>(551,243)</u>	
		<u>(7,909,700)</u>

Total Government-wide Net Position	<u><u>\$ 2,048,108</u></u>
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**INCORPORATED VILLAGE OF EAST HILLS**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For the Year Ended May 31, 2021

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Real property taxes	\$ 8,618,408	\$	\$ 8,618,408
Other real property tax items	209,724		209,724
Nonproperty taxes	362,267		362,267
Departmental income	347,852		347,852
Use of money and property	7,710		7,710
Licenses and permits	838,236		838,236
Fines and forfeitures	272,693		272,693
Minor sales and compensation for loss	14,753		14,753
Miscellaneous	153,703		153,703
State aid	1,121,914		1,121,914
<b>Total Revenues</b>	<b>11,947,260</b>	<b>-</b>	<b>11,947,260</b>
<b>EXPENDITURES</b>			
General support	1,587,453		1,587,453
Public safety	2,592,718		2,592,718
Health	1,740		1,740
Transportation	923,009		923,009
Economic opportunity and development	9,011		9,011
Culture and recreation	535,908		535,908
Home and community services	805,082		805,082
Employee benefits	2,356,890		2,356,890
Debt service			
Principal	1,663,000		1,663,000
Interest	241,550		241,550
<b>Total Expenditures</b>	<b>10,716,361</b>	<b>-</b>	<b>10,716,361</b>
Excess of Revenues Over Expenditures	1,230,899	-	1,230,899
<b>OTHER FINANCING SOURCES (USES)</b>			
BANs redeemed from appropriations		278,000	278,000
Net Changes in Fund Balances	1,230,899	278,000	1,508,899
Fund Balances (Deficit) - Beginning of Year	7,188,018	(473,622)	6,714,396
Fund Balances (Deficit) - End of Year	<u>\$ 8,418,917</u>	<u>\$ (195,622)</u>	<u>\$ 8,223,295</u>

**INCORPORATED VILLAGE OF EAST HILLS**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For the Year Ended May 31, 2021

Net Change in Fund Balance \$ 1,508,899

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

Long-Term Revenue and Expense Differences

Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the Statement of Activities in prior years when they were earned.

Change in deferred inflows of resources \$ (13,362)

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in compensated absences payable 30,431  
17,069

Capital Related Differences

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

Capital outlays and other additions 298,019  
Depreciation expense (1,692,290)  
(1,394,271)

Long-Term Debt Transaction Differences

BANs redeemed from appropriations is an other financing source in the governmental funds and does not affect the Statement of Activities. (278,000)

Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. 31,147

Governmental funds report the effect of advance refunding bond charges when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (53,494)

Repayment of bond anticipation notes is an expenditure in the governmental funds and does not affect the Statement of Activities. 278,000

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

Repayment of bond principal 1,385,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from May 31, 2020 to May 31, 2021. 31,049

1,393,702

Pension and Other Postemployment Benefits Differences

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

Employees' retirement system 200,167  
Service award program (110,609)  
Other postemployment benefits (756,439)  
(666,881)

Change in Net Position of Governmental Activities \$ 858,518

**INCORPORATED VILLAGE OF EAST HILLS  
NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

The Village is governed by Village law and other general laws of the State of New York. The Board of Trustees is the legislative body responsible for overall operations, the Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer.

The basic services that the Village provides are general support, public safety (fire protection, safety inspections and security patrol), health, transportation (street maintenance and snow removal), economic assistance and opportunity, culture and recreation (community park, pool and activities), and home and community service (sanitation services).

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

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

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities present information about the overall financial activities of the Village, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions.

The Statement of Net Position presents the financial position of the Village at fiscal year end. 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 a program or function and, therefore, are clearly identifiable to a particular function. Employee benefits are generally allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, fees, permits and fines and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes, payments in lieu of taxes, utilities gross receipts tax, franchise fees, and State aid revenue sharing and mortgage tax, are presented as general revenues.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Fund Financial Statements

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

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

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

***Capital Projects Fund*** - is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets.

**C. Measurement Focus and Basis of Accounting**

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the agency have been met.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 120 days of the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pension

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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costs and other postemployment benefits, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

**D. Real Property Taxes**

Real property taxes are levied no later than May 15 and become a lien on June 1. The Village collects its own taxes. Taxes are collected during the month of June without penalty. A 5% penalty is assessed on taxes paid after July 1, and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes can be collected through tax sales.

**E. Payments in Lieu of Taxes (PILOT)**

The Village reports PILOT revenues in the general fund as part of other tax items revenues. These PILOT revenues are often the result of tax abatements granted by industrial development agencies of the Town and/or the County to help promote local economic development. Property owners make PILOT payments to the Village.

**F. Restricted Resources**

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

**G. Interfund Transactions**

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

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

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

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

**H. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those



**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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estimates. Estimates and assumptions are made in a variety of areas, including revenue availability compensated absences, other postemployment benefits, pension costs, potential contingent liabilities and useful lives of capital assets.

**I. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and bank deposits.

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

**J. Restricted Length of Service Award Program Investments**

The Village jointly sponsors the Roslyn Volunteer Firefighters Service Award Program, a defined benefit pension plan, and has reported its proportionate share of service award program assets. The underlying assets are reported at fair value based on quoted market prices and include money market funds, corporate and municipal bonds, exchange traded funds, and equity mutual funds.

The service award program assets are restricted for the purpose of providing benefits to the participants of the plan.

**K. Receivables**

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

**L. Inventories and Prepaid Items**

Purchases of inventorable items are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepays represent payments made by the Village for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements. These items are reported as assets on the Statement of Net Position and the Balance Sheet using the consumption method. Under the consumption method, a current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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

**M. Capital Assets**

Capital assets are reflected in the government-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation. As permitted by GASB, the Village did not include infrastructure assets placed in service prior to June 1, 2004.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

	<u>Capital Threshold</u>	<u>Estimated Useful Life</u>
Buildings	\$ 1,000	40-50 years
Site improvements	1,000	20-50 years
Machinery and equipment	1,000	3-15 years
Infrastructure	1,000	25-50 years

**N. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The Village has three items that qualify for reporting in this category. First is the unamortized amount of deferred charges from the 2012 refunding of bonds that is being amortized as a component of interest expense on a weighted average basis of the outstanding bond balance over the remaining maturity of the bonds. The second is related to ERS and consists of the Village's proportionate share of changes in the collective net pension liability not included in collective pension expense and contributions to ERS subsequent to the measurement date. The third item is related to the Village's share of deferred service award program expenses and benefits payments and administrative expenses paid subsequent to the measurement date.

**O. Short-Term Debt**

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

**P. Compensated Absences**

Compensated absences consist of unpaid accumulated vacation time and sick leave.

Vacation eligibility and accumulation is specified in the Village's personnel manual, individual employment contracts or collective bargaining agreement. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in the Village's personnel manual, individual employment agreements or collective bargaining agreement. Upon retirement, resignation or death, employees may be eligible to receive the value of unused accumulated sick leave subject to certain maximum limitations and is calculated using the vesting method.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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The compensated absence liability is reported on the government-wide Statement of Net Position. A liability for these amounts is recorded in the Balance Sheet to the extent payments become due because of employee retirement or resignation. The compensated absences liability is calculated based on the pay rates in effect at year end.

**Q. Other Benefits**

Eligible Village employees participate in the New York State and Local Employees' Retirement System.

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

The Village provides individual or family health insurance coverage for active employees pursuant to the Village's personnel manual, individual employment contracts or collective bargaining agreements.

In addition to providing pension benefits, the Village provides individual, family or surviving spouse postemployment health insurance coverage for eligible retired employees. The Village's personnel manual, individual employment agreements and collective bargaining agreements determine if Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the Village and the retired employee. The Village recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund as the liabilities for premiums mature (come due for payment). In the government-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

The Village is one of ten municipalities that jointly sponsor the Roslyn Volunteer Firefighter Service Award Program, which provides a defined benefit Service Award Program for volunteer firefighters of the Roslyn Highlands Hook & Ladder, Engine & Hose Company, Inc. and the Rescue Hook & Ladder Company No. 1.

**R. Deferred Inflows of Resources**

Deferred inflows of resources are acquisitions of resources by the Village that are applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The Village has four items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This consists of receivables of delinquent real property taxes. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the government-wide financial statements, unavailable revenues are treated as revenues. The second item is related to ERS reported in the Statement of Net Position and consists of the Village's proportionate share of changes in the collective net pension liability not included in collective pension expense. The third item is related to the Village's share of deferred service award program and expenses. The fourth item is related to OPEB reported in the district-wide Statement of Net Position and represents the change in the total other postemployment benefits liability not included in OPEB expense.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**S. Equity Classifications**

Government-Wide Statements

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

*Net investment 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 or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* – Reports all other amounts that do not meet the definition of the above two classifications and are deemed to be available for general use by the Village.

Fund Statements

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

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

*Restricted* – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The Village has established the following restricted fund balances:

*Reserve for Unemployment*

This reserve is used to accumulate monies pursuant to General Municipal Law, Section 6-M to pay the cost of reimbursement to the State Unemployment Insurance Fund. The reserve is accounted for in the general fund.

*Service Award Program Assets*

The Village's proportionate share of service award program assets are restricted for providing benefits to participants in the Roslyn Volunteer Firefighters Service Award Program, a defined benefit pension plan. The assets are held in trust and accounted for in the general fund.

*Assigned* – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Board of Trustees. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year and monies set aside in the tree fund.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

Fund Balance Classification

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

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

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

**2. CHANGES IN ACCOUNTING PRINCIPLES**

For the fiscal year ended May 31, 2021, the Village implemented GASB Statement No. 84, *Fiduciary Activities*. This statement provides guidance for identifying fiduciary activities, primarily based on whether the assets associated with the activities are controlled by the government and the government does not have administrative involvement with the assets. As a result, agency activities previously reported within the fiduciary funds are now reported within the governmental funds.

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

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

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

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

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

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

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

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

**4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The Village’s management submits a proposed budget for approval by the Board of Trustees for the general fund, the only fund with a legally adopted budget. Budgets are adopted annually on a basis consistent with GAAP. The tentative budget includes proposed expenditures and the proposed means of financing for the general fund. A public hearing is held on the tentative budget by April 15. After completion of the budget hearing, the Board of Trustees may further change the tentative budget. Such budget, as so revised, shall be adopted by resolution no later than May 1. All subsequent modifications of the budget must be approved by the Board of Trustees.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Appropriations are established by the adoption of the budget, are recorded at the program line level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Trustees as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. During the year ended May 31, 2021, the general fund's adopted budget was increased for encumbrances carried forward from the prior year as follows:

Adopted budget	\$ 13,005,392
Encumbrances from prior year	<u>278,184</u>
Original Budget	<u><u>\$ 13,283,576</u></u>

**B. Encumbrances**

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

**C. Capital Projects Fund**

The capital projects fund has an unassigned fund balance deficit of \$195,622. This will be funded when the Village obtains permanent financing for its current capital improvement projects.

**5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

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

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

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

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

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

**6. CAPITAL ASSETS**

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

	Balance May 31, 2020	Additions	Reductions	Balance May 31, 2021
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,520,000	\$	\$	\$ 2,520,000
Total capital assets not being depreciated	2,520,000	-	-	2,520,000
Capital assets being depreciated				
Buildings	500,000			500,000
Site improvements	18,526,178			18,526,178
Machinery and equipment	4,443,310	298,019		4,741,329
Infrastructure	16,522,190			16,522,190
Total capital assets being depreciated	39,991,678	298,019	-	40,289,697
Less accumulated depreciation for:				
Buildings	243,750	12,500		256,250
Site improvements	10,265,124	749,412		11,014,536
Machinery and equipment	3,490,482	273,999		3,764,481
Infrastructure	5,099,503	656,379		5,755,882
Total accumulated depreciation	19,098,859	1,692,290	-	20,791,149
Total capital assets being depreciated, net	20,892,819	(1,394,271)	-	19,498,548
Capital assets, net	<u>\$ 23,412,819</u>	<u>\$ (1,394,271)</u>	<u>\$ -</u>	<u>\$ 22,018,548</u>

Depreciation expense was allocated to governmental functions as follows:

General support	\$ 104,164
Public safety	44,342
Transportation	744,455
Culture and recreation	771,057
Home and community services	28,272
	<u>\$ 1,692,290</u>



**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**7. INTERFUND TRANSACTIONS**

Interfund balances and activities at May 31, 2021, are as follows:

	Interfund	
	Receivable	Payable
General Fund	\$ 126,916	\$
Capital Projects Fund		126,916
Total	<u>\$ 126,916</u>	<u>\$ 126,916</u>

All interfund balances are expected to be repaid.

**8. SHORT-TERM DEBT**

Short-term debt activity for the year is summarized below:

	Issue Date	Maturity	Interest Rate	Balance May 31, 2020	Issued	Redeemed	Balance May 31, 2021
BAN	8/14/19	8/14/20	2.25%	\$ 1,200,000	\$	\$ (1,200,000)	\$
BAN	8/13/20	8/13/21	0.63%		922,000		922,000
				<u>\$ 1,200,000</u>	<u>\$ 922,000</u>	<u>\$ (1,200,000)</u>	<u>\$ 922,000</u>

The BAN was issued to provide cash for the Village's capital projects.

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

Interest paid	\$ 27,000
Less interest accrued in the prior year	(28,875)
Plus interest accrued in the current year	<u>12,098</u>
Total interest expense on short-term debt	<u>\$ 10,223</u>

**9. LONG-TERM DEBT LIABILITIES**

**A. Changes**

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

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	Balance May 31, 2020	Additions	Reductions	Balance May 31, 2021	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 8,585,000	\$	\$ (1,385,000)	\$ 7,200,000	\$ 1,340,000
Add: Unamortized premium	119,898		(31,147)	88,751	26,664
	8,704,898	-	(1,416,147)	7,288,751	1,366,664
Other long-term liabilities:					
Compensated absences	581,674		(30,431)	551,243	152,562
	<u>\$ 9,286,572</u>	<u>\$</u>	<u>\$ (1,446,578)</u>	<u>\$ 7,839,994</u>	<u>\$ 1,519,226</u>

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

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2021
Public Improvement - Various	5/28/2009	5/15/2024	2.00 - 3.625%	\$ 1,260,000
Public Improvement - Park Refunding	2/2/2012	12/1/2026	2.00 - 4.00%	5,940,000
				<u>\$ 7,200,000</u>

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

Year Ending May 31,	Principal	Interest	Total
2022	\$ 1,340,000	\$ 170,675	\$ 1,510,675
2023	1,375,000	138,306	1,513,306
2024	1,415,000	104,506	1,519,506
2025	1,000,000	69,138	1,069,138
2026	1,020,000	69,138	1,089,138
2027	1,050,000	47,887	1,097,887
Total	<u>\$ 7,200,000</u>	<u>\$ 599,650</u>	<u>\$ 7,799,650</u>

**C. Advance Refunding**

In 2012, the Village advance refunded serial bonds, resulting in a deferred charge and a refunding bond premium, which are being amortized as a component of interest expense on a weighted average basis of the outstanding bond balance in the government-wide statements as follows:

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

<u>Year Ending May 31,</u>	<u>Amortization of Deferred Charges</u>	<u>Amortization of Premium</u>	<u>Interest Expense Increase / (Decrease)</u>
2022	\$ 45,796	\$ (26,664)	\$ 19,132
2023	37,888	(22,060)	15,828
2024	29,791	(17,346)	12,445
2025	21,506	(12,522)	8,984
2026	13,055	(7,601)	5,454
2027	4,393	(2,558)	1,835
Total	<u>\$ 152,429</u>	<u>\$ (88,751)</u>	<u>\$ 63,678</u>

**D. Interest Expense**

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

Interest paid	\$ 214,550
Less interest accrued in the prior year	(71,880)
Plus interest accrued in the current year	57,608
Plus amortization of deferred charge from advance refunding	53,494
Less amortization of bond premium	<u>(31,147)</u>
Total interest expense on long-term debt	<u>\$ 222,625</u>

**E. Debt Limit**

The Village's outstanding serial bonds and bond anticipation note payable represent approximately 5.25% of the Village's debt limit at May 31, 2021.

**10. PENSION PLAN – NEW YORK STATE**

**A. General Information**

Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer public employee retirement system. The ERS provides retirement, disability, and death benefits to plan members and beneficiaries related to years of service and final average salary.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and administrative head of the ERS. Once a public employer elects to participate in the ERS, 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

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. The report, including information with regard to benefits provided may be found on the NYS Comptroller's website at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

Plan members who joined the system before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3.0% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3.0% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3.0% and 6.0% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup> and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1.0% discount or by the prior February 1<sup>st</sup>. The Village paid 100% of the required contributions as billed by the ERS for the current year. The Village's average contribution rate was 14.22% of covered payroll for the ERS' fiscal year ended March 31, 2020.

The Village's share of the required contribution for the Village's year ended May 31, 2021, was \$429,570 for ERS at an average contribution rate of 14.73%.

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

At May 31, 2021, the Village reported the following liability for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to ERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the Village.

Measurement date	March 31, 2021
Village's proportionate share of the net pension liability	\$ 9,617
Village's portion of the Plan's total net pension liability	0.0096578%
Change in proportion since the prior measurement date	0.0007156

For the year ended May 31, 2021, the Village recognized pension expense of \$229,405 for ERS. At May 31, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 117,445	\$
Changes of assumptions	1,768,193	33,349
Net difference between projected and actual earnings on pension plan investments		2,762,470
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	115,519	48,593
Village contributions subsequent to the measurement date	78,306	
Total	<u>\$ 2,079,463</u>	<u>\$ 2,844,412</u>

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

<u>Year Ending May 31,</u>	
2022	\$ (153,127)
2023	(44,995)
2024	(133,969)
2025	<u>(511,164)</u>
	<u>\$ (843,255)</u>

**Actuarial Assumptions**

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

Measurement date	March 31, 2021
Actuarial valuation date	April 1, 2020
Inflation	2.7%
Salary increases	4.4%
Investment rate of return (net of investment expense, including inflation)	5.9%
Cost of living adjustments	1.4%

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Annuitant mortality rates are based on system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. Active member mortality rates are based on plan member experience. The actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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

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

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

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

#### Discount Rate

The discount rate used to measure the total pension liability was 5.9% (the discount rate at the prior year's measurement date of March 31, 2020, was 6.8%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the ERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Village's proportionate share of the net pension asset/(liability) calculated using the discount rate of 5.9%, 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%) or 1 percentage point higher (6.9%) than the current rate :

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
Village's proportionate share of the net pension asset / (liability)	\$ (2,669,212)	\$ (9,617)	\$ 2,443,152

**Pension Plan Fiduciary Net Position**

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

Measurement date	March 31, 2021 <i>(Dollars in thousands)</i>
Employers' total pension liability	\$ (220,680,157)
Plan fiduciary net position	<u>220,580,583</u>
Employers' net pension liability	<u>\$ (99,574)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	99.95%

**Payables to the Pension Plan**

Employer contributions are paid annually based on the ERS' fiscal year, which ends on March 31st. Accrued retirement contributions as of May 31, 2021, represent the projected employer contribution for the period of April 1, 2020 through May 31, 2021 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2021 amounted to \$78,306 of employer contributions. Employee contributions are remitted monthly.

**11. PENSION PLAN – DEFERRED COMPENSATION PLAN**

The Village has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The Village makes no contributions into this Plan. The amount deferred by eligible employees for the year ended May 31, 2021 totaled \$170,473.

**12. PENSION PLAN – SERVICE AWARD PROGRAM**

**A. General Information**

**Plan Description**

Ten municipalities jointly established a defined benefit Service Award Program (referred to as a "LOSAP" – Length of Service Award Program - under Section 457(e)(11) of the Internal Revenue Code) effective January 1, 1996 for the active volunteer firefighter members of the Roslyn Highlands Hook & Ladder, Engine & Hose Company, Inc. and the Rescue Hook & Ladder Company No. 1. The ten sponsoring municipalities are the

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Town of North Hempstead, Town of Oyster Bay, Village of Brookville, Village of East Hills, Village of Flower Hill, Village of North Hills, Village of Old Westbury, Village of Roslyn, Village of Roslyn Estates, and Village of Roslyn Harbor. The program was established pursuant to Article 11-A of the New York State General Municipal Law. The program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The ten municipalities jointly sponsor the Program and, through an inter-municipal agreement, have established a Municipal Sponsoring Board to oversee the administration of the Program.

Participation, Vesting and Service Credit

An eligible Program Participant is defined to be an active volunteer firefighter who is at least 18 years of age and has earned one year of Service Award Program Service Credit. An active volunteer firefighter earns a year of Service Credit for each calendar year after the establishment of the Program in which he or she accumulated 50 points. Points are granted for the performance of certain firefighter 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 Service Credit for five years of active volunteer firefighting service rendered prior to the establishment of the Program.

Participants acquire a non-forfeitable right to be paid a Service Award after earning for five years of service credit, becoming totally and permanently disabled, dying while an active volunteer, or upon attaining the program's Entitlement Age while an active volunteer. The program's Entitlement Age is age 62 and is the age at which benefits begin to be paid to Participants.

Benefits

A participant's Service Award benefit is paid as a ten-year certain and continuous monthly payment life annuity. The amount payable each month equals \$20 multiplied by the total number of years of Service Credit earned by the participant under the Point System. The maximum number of years of Service Credit a participant may earn under the program is 30 years. Currently, there are no other forms of payment of a volunteer's earned Service Award under the Program.

Except in the case of pre-Entitlement Age death or total and permanent disablement, a participant's Service Award will not be paid until he or she attains the Entitlement Age. Volunteers who continue to be active after attaining the Entitlement Age and who may have commenced receiving a Service Award have the opportunity to earn Service Credit and thereby increase their Service Award payments. The pre-Entitlement Age death and disability benefit is equal to the actuarial value of the participant's earned Service Award at the time of death or disablement. If the volunteer was an active member at the time of death, the minimum Pre-Entitlement Age death benefit payable is \$10,000. All death and disability benefits are self-insured and paid from the program Trust Fund. The program does not provide extra line-of-duty death or disability benefits.

At the December 31, 2019 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	47
Inactive participants entitled to but not yet receiving benefit payments	92
Active participants	<u>108</u>
Total	<u><u>247</u></u>



**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Contributions

New York State General Municipal Law §219(d) requires the Village Board to contribute to an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village Board.

Trust Assets

Although assets have been accumulated in an irrevocable trust such that assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Village. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73.

**B. Measurement of Total Service Award Program Liability**

The total pension liability at the December 31, 2020 measurement date was determined using an actuarial valuation as of December 31, 2019, with update procedures used to roll forward the total pension liability to December 31, 2020.

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Inflation	2.25%
Salary scale	None assumed

Mortality rates were based on the RP-2014 Male Mortality Table without projection for mortality improvement.

Discount Rate

The discount rate used to measure the total pension liability was 1.93%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2020. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

**C. Proportionate Share of Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended May 31, 2021, the Village reported a liability of \$2,318,023 for its proportionate share of the total pension liability, measured as of December 31, 2020. The proportionate share of total pension liability for the year ended May 31, 2020 was \$1,813,037, measured as of December 31, 2019. The Village's proportion of the total pension liability was based on a cost sharing agreement between the Village and nine other sponsoring municipalities. At the December 31, 2020 measurement date, the Village's proportion was 26.9720%. At the December 31, 2019 measurement date, the Village's proportion was 27.0468%.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

For the year ended May 31, 2021, the Village recognized pension expense of \$172,874, as follows:

Service cost	\$ 37,550
Interest	59,189
Changes of assumptions or other inputs	69,399
Differences between expected and actual experience	2,147
Changes in proportion	753
Pension plan administrative expenses	<u>3,836</u>
Total pension expense	<u><u>\$ 172,874</u></u>

At May 31, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,357	\$ 4,683
Changes of assumptions or other inputs	611,299	101,007
Changes in proportion	12,340	5,654
Benefit payments and administrative expenses subsequent to the measurement date	<u>25,085</u>	
Total	<u><u>\$ 671,081</u></u>	<u><u>\$ 111,344</u></u>

The \$25,085 reported as deferred outflows of resources related to pensions resulting from Village transactions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ending May 31, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending May 31,</u>	
2022	\$ 72,299
2023	72,299
2024	72,299
2025	72,299
2026	72,299
Thereafter	<u>173,157</u>
	<u><u>\$ 534,652</u></u>

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Sensitivity of the Pension Liability to Changes in the Discount Rate

The following presents the Village's proportionate share of the pension liability as of the December 31, 2020 measurement date, calculated using the discount rate of 1.93%, as well as what the Village's proportionate share of the pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (0.93%) or 1-percentage point higher (2.93%) than the current rate:

	1% Decrease 0.93%	Current Assumption 1.93%	1% Increase 2.93%
Village's proportionate share of the net pension liability	<u>\$ (2,802,561)</u>	<u>\$ (2,318,023)</u>	<u>\$ (1,944,012)</u>

**13. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. General Information about the OPEB Plan**

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

*Benefits Provided* – The Village provides medical coverage and Medicare Part B reimbursement (the healthcare plan) to retirees. The benefit terms are dependent on which contract/agreement each employee falls under. The specifics of each contract/agreement are on file at the Village offices and are available upon request.

*Employees Covered by Benefit Terms* – At May 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	13
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>49</u>
	<u>62</u>

**B. Total OPEB Liability**

The Village's total OPEB liability of \$17,720,237 was measured as of May 31, 2021, and was determined by an actuarial valuation as of June 1, 2020. Update procedures were used to roll forward the total OPEB liability to the measurement date.

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

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Salary increases	3.00%	average, including inflation
Discount rate	2.09%	
Healthcare cost trend rates	8.00%	for 2019, decreasing to an ultimate rate of 5.00% by 2026
Retirees' share of benefit-related costs	0.00%	of projected health insurance premiums for single coverage
	20.00%	of projected health insurance premiums for dependent coverage

The discount rate is based on using an average of three 20 year bond indices (e.g., Bond Buyer 20 Bond GO, S&P Municipal 20 Year High Grade Rate Index, and Fidelity GA AA 20 years).

Mortality rates were based on the RP 2014 Healthy Male and Female Tables based on the Employee and Healthy Annuitant Tables for both pre and post retirement projected, as appropriate, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018.

The actuarial assumptions used in the May 31, 2021 valuation were based on the standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

**C. Changes in the Total OPEB Liability**

Balance at May 31, 2020	<u>\$ 19,874,246</u>
Changes for the year	
Service cost	546,507
Interest	412,758
Changes in assumptions or other inputs	(2,863,197)
Benefit payments	(250,077)
	<u>(2,154,009)</u>
Balance at May 31, 2021	<u><u>\$ 17,720,237</u></u>

Changes in assumptions and other inputs reflect a change the discount rate from 2.60% in 2020 to 2.09% in 2021.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.09%) or 1 percentage point higher (3.09%) than the current discount rate:

OPEB	1% Decrease 1.09%	Discount Rate 2.09%	1% Increase 3.09%
Total OPEB liability	<u><u>\$ (23,027,126)</u></u>	<u><u>\$ (17,720,237)</u></u>	<u><u>\$ (13,953,185)</u></u>

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

*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 (7.0%) or 1 percentage point higher (9.0%) than the current healthcare cost trend rate:

	1% Decrease 7.00% decreasing to 4.00%	Healthcare Cost Trend Rates 8.00% decreasing to 5.00%	1% Increase 9.00% decreasing to 6.00%
OPEB			
Total OPEB liability	<u><u>\$ (13,762,623)</u></u>	<u><u>\$ (17,720,237)</u></u>	<u><u>\$ (23,304,738)</u></u>

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

For the year ended May 31, 2021, the Village recognized OPEB expense of \$756,439. At May 31, 2021, the Village reported net deferred inflows of resources related to OPEB from changes of assumptions in the amount of \$341,218, which will be amortized and recognized in OPEB expense on the straight-line basis over the next 15 years.

**14. ASSIGNED: APPROPRIATED FUND BALANCE**

The amount of \$1,897,938 has been appropriated to reduce taxes for the year ending May 31, 2022.

**15. TAX ABATEMENTS**

The Nassau County Industrial Development Agency, the Town of North Hempstead and the Village enter into various property tax abatement programs for the purpose of economic development. The amount of property tax revenue that was reduced as a result of these programs was \$220,857. The Village received payment in lieu of taxes (PILOT) payments totaling \$155,720.

**16. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

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

Public Safety	
Security cameras	<u><u>\$ 62,904</u></u>

**B. Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**C. Certiorari Proceedings**

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, the Village may be required to make for taxes collected through May 31, 2021, which could affect future operating budgets of the Village.

**D. Litigation**

Certain legal actions are pending against the Village and are being handled by the Village's insurance carrier. The Village believes any exposure to the Village outside its insurance protection would not be material.

**E. Grants**

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

**17. SUBSEQUENT EVENTS**

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

**A. Issuance of Bond Anticipation Note**

On August 12, 2021, the Village issued a bond anticipation note in the amount of \$630,000, which is due August 13, 2022 and bears interest at a stated interest rate of 0.29%. The proceeds of the BAN along with general fund appropriations of \$292,000 were used to pay the \$922,000 BAN maturing August 13, 2021.

**B. Issuance of Refunding Bonds**

On June 10, 2021, the Village issued refunding bonds in the amount of \$6,575,000, in order to advance refund the 2009 serial bonds in the amount outstanding of \$1,260,000 and the 2012 refunding bonds in the amount outstanding of \$5,940,000. The net present value of the savings in debt service payments over the repayment period is \$289,237.

**INCORPORATED VILLAGE OF EAST HILLS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For the Year Ended May 31, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Real Property Taxes	\$ 8,616,460	\$ 8,616,460	\$ 8,618,408	\$ 1,948
Other Real Property Tax Items				
Other payments in lieu of taxes	183,859	183,859	155,720	(28,139)
Interest and penalties on real property taxes	30,000	30,000	54,004	24,004
Total Other Real Property Tax Items	213,859	213,859	209,724	(4,135)
Non-Property Tax Items				
Non-property tax distribution	19,325	19,325	19,325	-
Utilities gross receipts tax	130,000	130,000	156,449	26,449
Franchise fees	185,000	185,000	186,493	1,493
Total Non-Property Tax Items	334,325	334,325	362,267	27,942
Departmental Income				
Clerk fees	40,000	40,000	67,164	27,164
Safety inspection fees	180,000	180,000	177,834	(2,166)
Pool admission charges	9,200	9,200	1,185	(8,015)
Concession	23,250	23,250	3,150	(20,100)
Special recreation	31,900	31,900	2,810	(29,090)
Zoning board fees	59,500	59,500	84,678	25,178
Planning board fees	5,000	5,000	7,000	2,000
Refuse and garbage	3,000	3,000	4,031	1,031
Total Departmental Income	351,850	351,850	347,852	(3,998)
Use of Money and Property				
Interest and earnings	25,000	25,000	7,710	(17,290)
Licenses and Permits				
Business and occupational licenses	58,500	58,500	60,638	2,138
Permits	559,250	559,250	777,598	218,348
Total Licenses and Permits	617,750	617,750	838,236	220,486
Fines and Forfeitures				
Fines and forfeitures	387,000	387,000	272,693	(114,307)
Minor Sales and Compensation for Loss				
Minor sales	-	-	260	260
Insurance recoveries	-	-	14,493	14,493
Total Minor Sales and Compensation for Loss	-	-	14,753	14,753
Miscellaneous				
Other unclassified revenue	30,000	30,000	153,703	123,703
State Aid				
Mortgage tax	180,000	180,000	225,550	45,550
NYS grants	7,394	7,394	500,000	492,606
Consolidated highway aid	243,813	243,813	396,364	152,551
Total State Aid	431,207	431,207	1,121,914	690,707
Total Revenues	11,007,451	11,007,451	11,947,260	\$ 939,809
<b>APPROPRIATED FUND BALANCE</b>				
Prior years' surplus	1,997,941	1,997,941		
Prior year's encumbrances	278,184	278,184		
Total Appropriated Fund Balance	2,276,125	2,276,125		
Total Revenues and Appropriated Fund Balance	\$ 13,283,576	\$ 13,283,576		

**INCORPORATED VILLAGE OF EAST HILLS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For the Year Ended May 31, 2021

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Legislative board					
Personal services	\$ 91,608	\$ 91,608	\$ 91,597	\$	\$ 11
Contractual services	3,750	3,750	2,155		1,595
Village court					
Personal services	91,000	91,000	74,867		16,133
Equipment	3,000	2,840	-		2,840
Contractual services	43,000	43,160	25,973		17,187
Mayor					
Personal services	60,000	60,000	59,993		7
Contractual services	1,000	1,000	151		849
Auditor					
Contractual services	66,760	66,760	41,535		25,225
Budget					
Contractual services	825	825	-		825
Assessment					
Contractual services	32,100	32,100	22,046		10,054
Fiscal agent					
Contractual services	10,500	13,106	13,106		-
Clerk					
Personal services	395,000	389,486	363,213		26,273
Equipment	10,000	4,365	4,365		-
Contractual services	50,000	57,804	57,804		-
Law					
Contractual services	282,500	282,500	271,798		10,702
Engineer					
Contractual services	60,000	60,000	3,600		56,400
Election					
Contractual services	6,200	6,200	5,649		551
Operation of buildings					
Equipment	75,000	75,000	10,653		64,347
Contractual services	461,000	461,000	305,395		155,605
Unallocated insurance					
Contractual services	215,000	218,084	211,974		6,110
Municipal association dues					
Contractual services	11,000	11,000	5,415		5,585
Judgments and claims					
Contractual services	250,000	219,807	4,668		215,139
MTA payroll tax					
Contractual services	17,000	17,000	11,496		5,504
Contingent account					
Contractual services	100,000	73,260	-		73,260
Total General Support	<u>2,336,243</u>	<u>2,281,655</u>	<u>1,587,453</u>	<u>-</u>	<u>694,202</u>
Public Safety					
Law enforcement					
Contractual services	58,000	58,000	51,670		6,330
Traffic control					
Contractual services	6,500	6,500	1,885		4,615
Fire protection					
Contractual services	1,101,555	1,113,891	1,047,039		66,852
Safety inspections					
Personal services	428,000	435,473	435,473		-
Equipment	5,000	-	-		-
Contractual services	15,000	15,300	14,826		474
Security patrol					
Personal services	784,620	724,620	699,267		25,353
Equipment	305,117	357,367	284,746	62,904	9,717
Contractual services	40,000	59,750	57,812		1,938
Total Public Safety	<u>2,743,792</u>	<u>2,770,901</u>	<u>2,592,718</u>	<u>62,904</u>	<u>115,279</u>



**INCORPORATED VILLAGE OF EAST HILLS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For the Year Ended May 31, 2021

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual & Encumbrances
Health					
Registrar of vital statistics					
Contractual services	\$ 1,000	\$ 1,740	\$ 1,740	\$	\$ -
Transportation					
Street administration					
Personal services	117,894	117,894	113,794		4,100
Street maintenance					
Personal services	620,248	620,248	614,531		5,717
Equipment	50,000	50,000	-		50,000
Contractual services	80,000	80,000	66,378		13,622
Permanent improvement highway					
Contractual services	506,067	506,067	-		506,067
Snow removal					
Personal services	35,000	43,737	43,737		-
Contractual services	82,000	73,263	69,624		3,639
Street lighting					
Contractual services	24,000	24,000	14,945		9,055
Total Transportation	1,515,209	1,515,209	923,009	-	592,200
Economic Opportunity and Development					
Publicity					
Contractual services	30,000	30,000	9,011		20,989
Culture and Recreation					
Parks					
Personal services	730,000	730,000	418,178		311,822
Equipment	25,000	25,000	264		24,736
Contractual services	501,800	501,800	116,759		385,041
Celebrations					
Contractual services	10,000	10,000	-		10,000
Programs for the aging					
Contractual services	20,000	20,000	707		19,293
Total Culture and Recreation	1,286,800	1,286,800	535,908	-	750,892
Home and Community Services					
Zoning board of appeals					
Personal services	3,750	3,750	2,461		1,289
Contractual services	29,250	29,250	22,098		7,152
Planning board					
Personal services	300	300	-		300
Contractual services	3,500	3,500	3,358		142
Research					
Contractual services	250	250	-		250
Storm sewers					
Contractual services	9,000	9,000	-		9,000
Refuse collection and disposal					
Personal services	358,000	328,372	293,976		34,396
Equipment	150,000	150,000	-		150,000
Contractual services	458,000	487,628	482,989		4,639
Shade trees					
Contractual services	15,000	15,000	200		14,800
Total Home and Community Services	1,027,050	1,027,050	805,082	-	221,968

**INCORPORATED VILLAGE OF EAST HILLS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For the Year Ended May 31, 2021

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual & Encumbrances
Employee Benefits					
State retirement	\$ 395,495	\$ 429,570	\$ 429,570	\$	\$ -
Social security and Medicare	279,000	258,712	258,712		-
Workers' compensation	365,164	326,124	253,775		72,349
Life insurance	5,000	5,000	4,298		702
Unemployment	7,500	29,277	12,745		16,532
Disability	4,231	4,231	2,997		1,234
Hospital and medical insurance	1,222,541	1,222,541	1,204,578		17,963
Other benefits	160,000	190,215	190,215		-
Total Employee Benefits	<u>2,438,931</u>	<u>2,465,670</u>	<u>2,356,890</u>	<u>-</u>	<u>108,780</u>
Debt Service					
Principal	1,663,000	1,663,000	1,663,000		-
Interest	241,551	241,551	241,550		1
Total Debt Service	<u>1,904,551</u>	<u>1,904,551</u>	<u>1,904,550</u>	<u>-</u>	<u>1</u>
Total Expenditures	<u>\$ 13,283,576</u>	<u>\$ 13,283,576</u>	<u>\$ 10,716,361</u>	<u>\$ 62,904</u>	<u>\$ 2,504,311</u>
Net Change in Fund Balance			1,230,899		
Fund Balance - Beginning of Year			<u>7,188,018</u>		
Fund Balance - End of Year			<u>\$ 8,418,917</u>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**INCORPORATED VILLAGE OF EAST HILLS**  
**Schedule of the Village's Proportionate Share of the Net Pension Liability**  
Last Seven Fiscal years

	<i>Employees' Retirement System</i>						
	2021	2020	2019	2018	2017	2016	2015
Village's proportion of the net pension liability	0.0096578%	0.0089422%	0.0097983%	0.0102777%	0.0100031%	0.0095564%	0.0094608%
Village's proportionate share of the net pension liability	\$ 9,617	\$ 2,367,949	\$ 694,242	\$ 331,708	\$ 939,912	\$ 1,533,826	\$ 319,609
Village's covered payroll	\$ 2,963,670	\$ 2,752,093	\$ 2,796,005	\$ 2,561,652	\$ 2,330,262	\$ 2,161,676	\$ 2,155,849
Village's proportionate share of the net pension liability as a percentage of its covered payroll	0.32 %	86.04 %	24.83 %	12.95 %	40.34 %	70.96 %	14.83 %
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rates	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

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

**INCORPORATED VILLAGE OF EAST HILLS**  
**Schedule of Village Pension Contributions**  
Last Ten Years

	<i>Employees' Retirement System</i>									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 429,570	\$ 389,540	\$ 391,880	\$ 377,605	\$ 353,842	\$ 390,973	\$ 385,736	\$ 450,430	\$ 396,931	\$ 318,982
Contributions in relation to the contractually required contribution	<u>429,570</u>	<u>389,540</u>	<u>391,880</u>	<u>377,605</u>	<u>353,842</u>	<u>390,973</u>	<u>385,736</u>	<u>450,430</u>	<u>396,931</u>	<u>318,982</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	\$ 2,917,053	\$ 2,898,115	\$ 2,884,815	\$ 2,749,035	\$ 2,651,129	\$ 2,435,340	\$ 2,252,167	\$ 2,236,943	\$ 2,138,371	\$ 2,091,542
Contributions as a percentage of covered payroll	15%	13%	14%	14%	13%	16%	17%	20%	19%	15%

**INCORPORATED VILLAGE OF EAST HILLS**  
**Schedule of Changes in the Village's Service Award Program Liability**  
Last Four Fiscal Years

	2020	2019	2018	2017
Measurement date	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Village's proportion of the net pension liability	26.9720%	27.0468%	27.0372%	26.7971%
Village's proportionate share of the net pension liability	\$ 2,318,023	\$ 1,813,037	\$ 1,672,570	\$ 1,741,063
Discount rate	1.93%	3.26%	3.64%	3.16%

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

**Note to Required Supplementary Information**

Trust Assets

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

**INCORPORATED VILLAGE OF EAST HILLS**  
**Schedule of Changes in the Village's Total OPEB Liability and Related Ratios**  
Last Three Fiscal Years

	2021	2020	2019
Total OPEB liability			
Service cost	\$ 546,507	\$ 401,557	\$ 355,003
Interest	412,758	496,327	487,280
Changes of assumptions or other inputs	(2,863,197)	2,752,746	-
Benefit payments	<u>(250,077)</u>	<u>(226,300)</u>	<u>(222,158)</u>
Net change in total OPEB liability	(2,154,009)	3,424,330	620,125
Total OPEB liability, beginning	<u>19,874,246</u>	<u>16,449,916</u>	<u>15,829,791</u>
Total OPEB liability, ending	<u><u>\$ 17,720,237</u></u>	<u><u>\$ 19,874,246</u></u>	<u><u>\$ 16,449,916</u></u>
Covered employee payroll	\$ 2,758,481	\$ 2,332,459	\$ 2,332,459
Total OPEB liability as a percentage of covered employee payroll	642.39%	852.07%	705.26%
Discount rate	2.09%	2.60%	3.10%

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

**Note to Required Supplementary Information**

Trust Assets:

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



**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 Board of Trustees of the  
Incorporated Village of East Hills:

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 and each major fund of the Incorporated Village of East Hills (the "Village"), as of and for the year ended May 31, 2021, and the related notes to financial statements which collectively comprise the Village's financial statements, and have issued our report thereon dated February 22, 2022.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

# NawrockiSmith

## ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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*.

## ***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.

Hauppauge, New York  
February 22, 2022

