

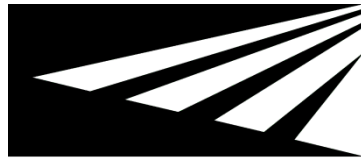


INCORPORATED VILLAGE OF EAST HILLS
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
May 31, 2022

INCORPORATED VILLAGE OF EAST HILLS
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (MD&A)	4
Basic Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Balance Sheet – Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
Notes to Financial Statements	23
Required Supplementary Information Other than MD&A	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	49
Schedule of the Village's Proportionate Share of the Net Pension Asset/(Liability)	53
Schedule of Village Pension Contributions	54
Schedule of Change in the Village's Service Award Program Liability	55
Schedule of Change in the Village's Total OPEB and Related Ratios	56
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	57

This Page Intentionally Left Blank



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Incorporated Village of East Hills, as of May 31, 2022, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

NawrockiSmith

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

NawrockiSmith

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 4-16 and 49-56, 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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
March 6, 2023



This Page Intentionally Left Blank

INCORPORATED VILLAGE OF EAST HILLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2022 in comparison with the year ended May 31, 2021, 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 2022 are as follows:

- The Village's total net position, as reflected in the Government-wide financial statements, increased by \$1,208,003. 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, 2022, was \$3,256,111.
- The Village's expenses for the year, as reflected in the government-wide financial statements, totaled \$10,895,481. Of this amount, \$2,321,257 was offset by program charges for services, and operating and capital grants. General revenues of \$9,782,227 amount to 80.8% of total revenues, and were adequate to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$680,192 to \$9,099,109. 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 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, 2022, BANs in the amount of \$1,200,000 have been issued, and \$570,000 has been redeemed. The Village has expended \$473,622 as of May 31, 2022.
- The Village's 2022 property tax levy of \$8,800,951 was a 2.14% increase over the 2021 tax levy. The Village's property tax cap was 3.31%. The Village tax rate remained unchanged from 2011.
- In June 2021, the Village transacted a current refunding of the outstanding serial bonds. The economic gain on the transaction is \$289,237.

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)

A. Government-wide Financial Statements

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

The Statement of Net Position

The Statement of Net Position presents information on all of the Village's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. To assess the overall health of the Village, one needs to consider 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 capital assets.

The Statement of Activities

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

3. FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

A. Net Position

The Village's total net position increased by \$1,208,003 between fiscal years 2022 and 2021. 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:

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Assets				
Current and Other Assets	\$ 12,325,495	\$ 10,697,962	\$ 1,627,533	15.21 %
Capital Assets, Net	20,883,330	22,018,548	(1,135,218)	(5.16)%
Net Pension Asset - Proportionate Share	<u>751,742</u>	<u>-</u>	<u>751,742</u>	N/A
Total Assets	<u>33,960,567</u>	<u>32,716,510</u>	<u>1,244,057</u>	3.80 %
Deferred Outflows of Resources	<u>2,102,656</u>	<u>2,902,973</u>	<u>(800,317)</u>	(27.57)%

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

	2022	2021	Increase (Decrease)	Percentage Change
Liabilities				
Current and Other Liabilities	\$ 3,045,838	\$ 2,386,530	\$ 659,308	27.63 %
Long-Term Liabilities	6,366,695	7,839,994	(1,473,299)	(18.79)%
Net Pension Liability -				
Proportionate Share	-	9,617	(9,617)	(100.00)%
Service award program	2,196,315	2,318,023	(121,708)	(5.25)%
Total OPEB Liability	<u>13,293,700</u>	<u>17,720,237</u>	<u>(4,426,537)</u>	(24.98)%
 Total Liabilities	 <u>24,902,548</u>	 <u>30,274,401</u>	 <u>(5,371,853)</u>	 (17.74)%
 Deferred Inflows of Resources	 <u>7,904,564</u>	 <u>3,296,974</u>	 <u>4,607,590</u>	 139.75 %
 Net Position				
Net Investment in Capital Assets	15,019,355	14,818,548	200,807	1.36 %
Restricted	1,201,910	1,105,777	96,133	8.69 %
Unrestricted (Deficit)	<u>(12,965,154)</u>	<u>(13,876,217)</u>	<u>911,063</u>	6.57 %
 Total Net Position	 <u>\$ 3,256,111</u>	 <u>\$ 2,048,108</u>	 <u>\$ 1,208,003</u>	 58.98 %

The increase in current and other assets is principally due to increases in cash and due from state and federal.

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.

Net pension asset - proportionate share represents the Village's share of the New York State and Local Employees' Retirement System's collective net pension asset at the measurement date of the respective year. In the current year, the proportionate share fluctuated from a liability to an asset. The accompanying Notes to Financial Statements, Note 10, "Pension Plans – New York State" 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 2022 bond refunding that is being amortized over the remaining term of the bonds.

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

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 decrease is due to a shift from net pension liabilities in the prior year to net pension assets in the current year. The accompanying Notes to Financial Statements, Note 10, provides additional information.

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

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 and OPEB 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; 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 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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues				
Program Revenues				
Charges for Services, Fees, Permits & Fines	\$ 1,792,999	\$ 1,458,781	\$ 334,218	22.91 %
Operating Grants	322,541	-	322,541	N/A
Capital Grants	205,717	396,364	(190,647)	(48.10)%
General Revenues				
Property Taxes	8,785,932	8,605,046	180,886	2.10 %
State Sources	267,771	725,550	(457,779)	(63.09)%
Other	728,524	748,157	(19,633)	(2.62)%
Total Revenues	<u>12,103,484</u>	<u>11,933,898</u>	<u>169,586</u>	1.42 %

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

	2022	2021	Increase (Decrease)	Percentage Change
Expenses				
General Support	\$ 2,366,879	\$ 2,182,797	\$ 184,082	8.43 %
Public Safety	3,232,895	3,571,885	(338,990)	(9.49)%
Health	922	1,740	(818)	(47.01)%
Transportation	2,205,647	2,421,244	(215,597)	(8.90)%
Economic Opportunity & Development	21,011	9,011	12,000	133.17 %
Culture & Recreation	1,875,879	1,533,083	342,796	22.36 %
Home & Community Services	1,090,100	1,122,772	(32,672)	(2.91)%
Debt Service - Interest	102,148	232,848	(130,700)	(56.13)%
Total Expenses	<u>10,895,481</u>	<u>11,075,380</u>	<u>(179,899)</u>	(1.62)%
 Increase in Net Position	 <u>\$ 1,208,003</u>	 <u>\$ 858,518</u>	 <u>\$ 349,485</u>	 40.71 %

The Village's net position increased by \$1,208,003 and \$858,518 for the years ended May 31, 2022 and 2021, respectively.

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

- The increase in charges for services, fees, permits, & fines is chiefly due to the Village receiving additional revenues for clerk fees, celebration, and fines and forfeited bail.
- Operating grants increased as the Village was awarded emergency disaster funding.
- The decrease in state sources is mainly due to the Village receiving grants from New York State for roadwork and security cameras in the prior year.
- The decrease in capital grants is due to a decrease in the funding from New York State for roadwork improvements through the CHIPs program.

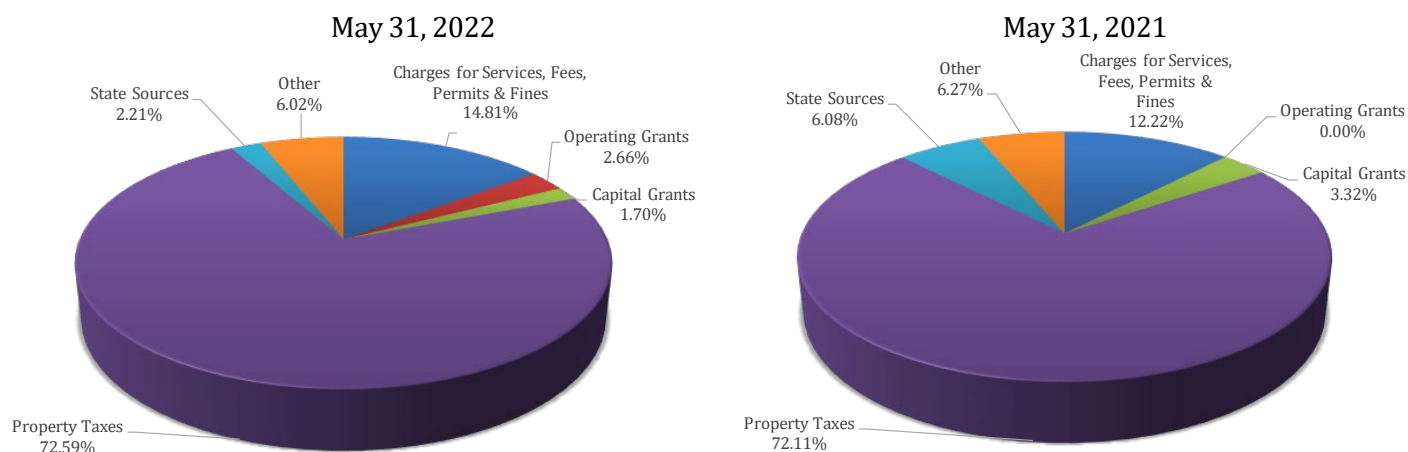
The Village's expenses decreased when compared to the prior year, primarily due to the following changes:

- Public safety and transportation decreased mainly based on the impact of the allocations of the net change in the actuarially determined pension expenses for ERS and OPEB.
- Public safety additionally decreased due to the impact of the net change in the actuarially determined pension expense for the LOSAP program and a decrease in the fire protection contractual services.
- Debt service interest decreased chiefly due to the current year amortization of bond premiums received from the 2022 bond refunding.
- Culture and recreation increased mainly due to increases in salaries for full time and seasonal staff, maintenance of park facilities, and recreational programs as the park facilities returned to full operation after being closed for a portion of the season during the prior year due to the COVID-19 pandemic.

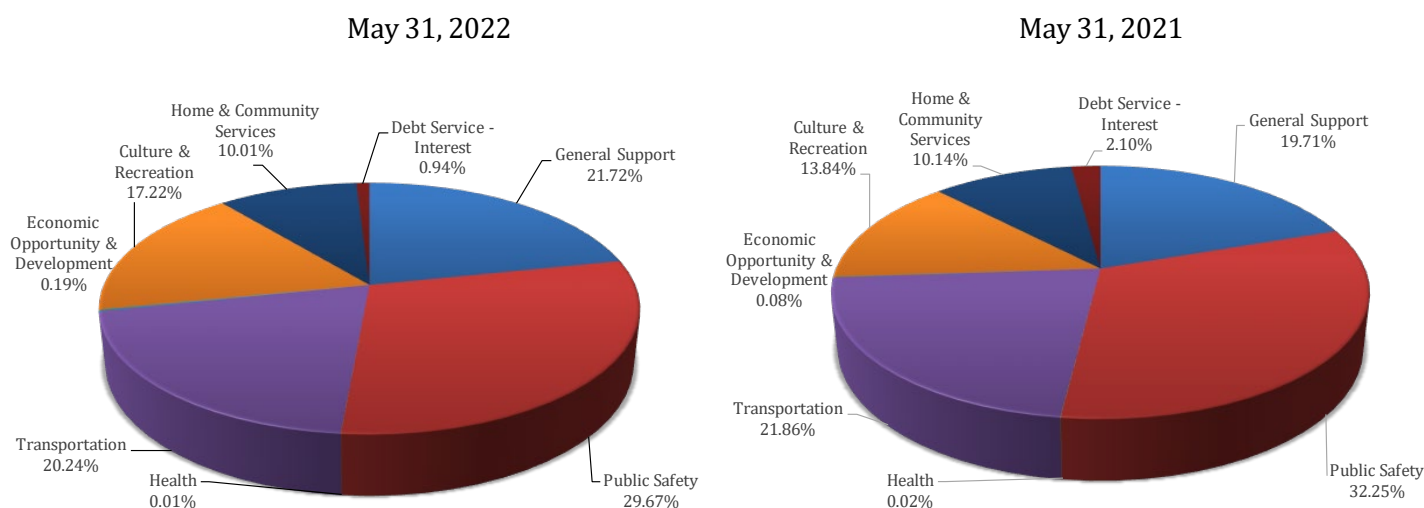
INCORPORATED VILLAGE OF EAST HILLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

- General support increased as a result of and increases in fiscal agent fees, due to the 2022 bond refunding, contractual expenses for monthly utility services, and judgements and claims offset by a decrease due to the impact of the allocations of the net change in the actuarially determined pension expenses for ERS and OPEB.

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.

At May 31, 2022, the Village's governmental funds reported a combined fund balance of \$9,195,487, which is an increase of \$972,192 over the prior year. This increase is due to an excess of revenues over expenditures using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

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

	2022	2021	Increase (Decrease)	Percentage Change
General Fund				
Nonspendable: Prepaids	\$ 420,078	\$ 340,141	\$ 79,937	23.50 %
Restricted for:				
Unemployment	15,957	15,955	2	0.01 %
Service award program	1,185,953	1,089,822	96,131	8.82 %
Assigned:				
Appropriated fund balance	1,960,001	1,897,938	62,063	3.27 %
Tree fund	21,000	15,300	5,700	37.25 %
Unappropriated fund balance	87,856	62,904	24,952	39.67 %
Unassigned: Fund balance	5,408,264	4,996,857	411,407	8.23 %
Total General Fund	<u>9,099,109</u>	<u>8,418,917</u>	<u>680,192</u>	8.08 %
Capital Projects Fund				
Restricted: Unspent debt proceeds	96,378	-	96,378	N/A
Unassigned: Fund balance (deficit)	-	(195,622)	195,622	100.00 %
	<u>96,378</u>	<u>(195,622)</u>	<u>292,000</u>	(149.27)%
Total Fund Balance	<u>\$ 9,195,487</u>	<u>\$ 8,223,295</u>	<u>\$ 972,192</u>	11.82 %

A. General Fund

The general fund – fund balance increased \$680,192, compared to an increase of \$1,230,899 in 2021. This resulted from revenues in excess of expenditures.

Revenues increased by \$138,951 or 1.16%. The following is a summary of the major changes:

- Federal aid increased as the Village recognized emergency disaster assistance as a result of Tropical Storm Isaias.
- Departmental income increased as a result of increases in clerk fees and special recreation fees received.
- Real property taxes increased as a result of the Board approved budget.
- State aid decreased as a result of the Village receiving grants from New York State for roadwork and security cameras in the prior year.

Expenditures increased \$689,658 or 6.44%. The following is a summary of the major changes:

- Culture and recreation increased as the parks facilities returned to normal operations after being closed for a portion of the season during the prior year.
- Transportation increased as the Village returned to making normal annual investments in roadwork improvements after not doing any improvements during the prior year due to the COVID-19 pandemic.

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

- General support increased mainly due to an increase in payments for settlements of judgements and claims and increases in contractual payments for monthly utility services.
- Public safety decreased mainly as a result of one-time expenditures for equipment purchases in the prior year for the security camera project and a reduction in expenditures in the current year for fire protection contracts.
- Debt service principal decreased primarily as the Village refunded outstanding bonds.

Nonspendable: Prepaids fund balance is associated with prepaid items at May 31, 2022, which primarily consists of prepaid insurance premiums for coverage extending beyond May 31, 2022.

Restricted fund balance for unemployment relates to the Village's reserve for unemployment claims. 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 2022-2023 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 roadwork improvements and security cameras.

B. Capital Projects Fund

The capital projects fund total fund balance increased \$292,000, which is the result of proceeds of BANs redeemed from appropriations.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2021-2022 Budget

The Village's general fund adopted budget for the year ended May 31, 2022, was \$12,951,797. This was a decrease of \$53,595 or 0.41% from the prior year's adopted budget. This amount was increased by \$62,904 of encumbrances carried forward from the prior year for a total final budget of \$13,014,701.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$8,800,951 in estimated real property taxes and \$1,897,938 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:

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

Opening, Unassigned Fund Balance	\$ 4,996,857
Revenues Over Budget	1,032,352
Expenditures and Encumbrances Under Budget	1,520,826
Change in Nonspendable Fund Balance	(79,937)
Increase in Tree Fund	(5,700)
Increase in Restricted Fund Balance	(96,133)
Appropriated for the 2022-2023 Budget	<u>(1,960,001)</u>
Closing , Unassigned Fund Balance	<u><u>\$ 5,408,264</u></u>

Opening, Unassigned Fund Balance

The \$4,996,857 shown in the table is the portion of the Village's May 31, 2021 fund balance that was retained as unassigned.

Revenues Over Budget

The 2021-2022 final budget for revenues was \$11,053,859. Actual revenues recognized for the year were \$12,086,211. The excess of actual revenues over estimated or budgeted revenues was \$1,032,352, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2021 to May 31, 2022. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures and Encumbrances Under Budget

The 2021-2022 final budget for expenditures, including prior year encumbrances as of May 31, 2021, was \$13,041,701. Actual expenditures were \$11,406,019 and open encumbrances were \$87,856. Combined, the expenditures plus encumbrances for 2021-2022 were \$11,493,875. The final budget variance was \$1,520,826, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2021 to May 31, 2022. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Net Change in Nonspendable Fund Balance

The Village prepaid various insurance premiums at May 31, 2022. 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 increase in nonspendable fund balance decreases unassigned fund balance.

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

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 \$96,133 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 \$1,960,001 of the available May 31, 2022 fund balance to partially fund the 2022-2023 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 2022-2023 fiscal year with an unassigned fund balance of \$5,408,264.

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

A. Capital Assets

At May 31, 2022, 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 \$1,699,860 in excess of capital additions of \$564,642 recorded for the year ended May 31, 2022. A summary of the Village's capital assets, net of depreciation at May 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Capital assets not being depreciated			
Land	\$ 2,520,000	\$ 2,520,000	\$ -
Capital assets being depreciated			
Buildings	231,250	243,750	(12,500)
Site improvements	6,778,565	7,511,642	(733,077)
Machinery and equipment	873,226	976,848	(103,622)
Infrastructure	<u>10,480,289</u>	<u>10,766,308</u>	<u>(286,019)</u>
	<u>\$ 20,883,330</u>	<u>\$ 22,018,548</u>	<u>\$ (1,135,218)</u>

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

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, 2022, is summarized as follows:

		2022	2021	Increase (Decrease)
5/28/2009	2.00 - 3.625%	\$ -	\$ 1,260,000	\$ (1,260,000)
2/2/2012	2.00 - 4.00%	-	5,940,000	(5,940,000)
6/10/2021	5.00%	5,370,000	-	5,370,000
		<u>\$ 5,370,000</u>	<u>\$ 7,200,000</u>	<u>\$ (1,830,000)</u>

Additionally, the Village has a bond anticipation note outstanding of \$630,000 at May 31, 2022.

The Village's outstanding serial bonds and bond anticipation note at May 31, 2022, are 2.92% 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.

	2022	2021	Increase (Decrease)
Compensated absences payable	\$ 488,172	\$ 551,243	\$ (63,071)
Net pension liability - proportionate share		9,617	(9,617)
Service award program liability	2,196,315	2,318,023	(121,708)
Total other postemployment benefits liability	<u>13,293,700</u>	<u>17,720,237</u>	<u>(4,426,537)</u>
	<u>\$ 15,978,187</u>	<u>\$ 20,599,120</u>	<u>\$ (4,620,933)</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The Board of Trustees approved a \$13,157,577 general fund budget for the year ending May 31, 2023. This is an increase of \$205,780 (1.59%) over the previous year's budget.

The tax levy is expected to increase \$88,952 (1.01%) 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 increase \$54,765. Appropriated fund balance was increased by \$62,063 to balance the budget.

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

B. Future Budgets

Dwindling support of initiatives established during the pandemic, the continued need for additional resources, fluctuating rates in this inflationary environment, and increases in fuel costs, charges of goods, and borrowing costs may 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 2022-2023 is 4.29%. The Village's increase of 1.01% in the 2022-2023 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, New York 11576

INCORPORATED VILLAGE OF EAST HILLS
Statement of Net Position
May 31, 2022

ASSETS

Cash	
Unrestricted	\$ 9,116,659
Restricted	742,335
Receivables	
Taxes receivable	184,677
Accounts receivable	68,097
Due from state and federal	607,696
Prepays	420,078
Service award program	1,185,953
Capital assets, not being depreciated	2,520,000
Capital assets being depreciated, net of accumulated depreciation	18,363,330
Net pension asset - proportionate share	751,742
	<hr/>
Total Assets	33,960,567

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge from advance refunding	14,548
Pension	1,486,417
Service award program	601,691
	<hr/>
Total Deferred Outflows of Resources	2,102,656

LIABILITIES

Payables	
Accounts payable	473,745
Accrued liabilities	319,877
Due to employees' retirement system	56,834
Other liabilities	1,565,382
Notes Payable	
Bond anticipation	630,000
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	1,405,997
Compensated absences payable	135,167
Due and payable after one year	
Bonds payable, net	4,472,526
Compensated absences payable	353,005
Service award program liability	2,196,315
Total other postemployment benefits liability	13,293,700
	<hr/>
Total Liabilities	24,902,548

DEFERRED INFLOWS OF RESOURCES

Pension	2,618,300
Service award program	212,685
Other postemployment benefits	5,073,579
	<hr/>
Total Deferred Inflows of Resources	7,904,564

NET POSITION

Net investment in capital assets	15,019,355
Restricted:	
Unemployment	15,957
Service award program	1,185,953
Unrestricted (deficit)	(12,965,154)
	<hr/>
Total Net Position	\$ 3,256,111

INCORPORATED VILLAGE OF EAST HILLS
Statement of Activities
For the Year Ended May 31, 2022

		Program Revenues			
	Expenses	Charges for Services, Fees, Permits & Fines	Operating Grants	Capital Grants	Governmental Activities
FUNCTIONS/PROGRAMS					
Governmental Activities					
General support	\$ 2,366,879	\$ 1,511,126	\$ 322,541	\$	\$ (533,212)
Public safety	3,232,895	169,831			(3,063,064)
Health	922				(922)
Transportation	2,205,647			205,717	(1,999,930)
Economic opportunity and development	21,011				(21,011)
Culture and recreation	1,875,879	102,832			(1,773,047)
Home and community services	1,090,100	9,210			(1,080,890)
Debt service - interest	102,148				(102,148)
Total Functions and Programs	<u>\$ 10,895,481</u>	<u>\$ 1,792,999</u>	<u>\$ 322,541</u>	<u>\$ 205,717</u>	<u>(8,574,224)</u>
GENERAL REVENUES					
Real property taxes					8,785,932
Other real property tax items					158,975
Nonproperty taxes					371,548
Use of money and property					101,903
Minor sales and compensation for loss					29,875
Miscellaneous					66,223
State sources					267,771
Total General Revenues					9,782,227
Change in Net Position					1,208,003
Total Net Position - Beginning of Year					2,048,108
Total Net Position - End of Year					\$ 3,256,111

INCORPORATED VILLAGE OF EAST HILLS
Balance Sheet - Governmental Funds
May 31, 2022

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash				
Unrestricted	\$ 8,255,876	\$	\$ 860,783	\$ 9,116,659
Restricted	15,957		726,378	742,335
Receivables				
Taxes receivable	184,677			184,677
Accounts receivable	68,097			68,097
Due from other funds	860,783			860,783
Due from state and federal	607,696			607,696
Prepays	420,078			420,078
Service award program	1,185,953			1,185,953
	<u>1,185,953</u>			<u>1,185,953</u>
Total Assets	<u>\$ 11,599,117</u>	<u>\$ -</u>	<u>\$ 1,587,161</u>	<u>\$ 13,186,278</u>
LIABILITIES				
Payables				
Accounts payable	\$ 473,745	\$	\$	\$ 473,745
Accrued liabilities	228,931			228,931
Due to other funds			860,783	860,783
Due to employees' retirement system	56,834			56,834
Other liabilities	1,565,382			1,565,382
Notes Payable				
Bond anticipation			630,000	630,000
	<u>2,324,892</u>	<u>-</u>	<u>1,490,783</u>	<u>3,815,675</u>
Total Liabilities	<u>2,324,892</u>	<u>-</u>	<u>1,490,783</u>	<u>3,815,675</u>
DEFERRED INFLOWS OF RESOURCES				
Resources not available for current use and are for subsequent year	<u>175,116</u>			<u>175,116</u>
FUND BALANCE				
Nonspendable: Prepays	420,078			420,078
Restricted for:				
Unemployment	15,957			15,957
Service award program	1,185,953			1,185,953
Unspent debt proceeds			96,378	96,378
Assigned:				
Appropriated fund balance	1,960,001			1,960,001
Tree fund	21,000			21,000
Unappropriated fund balance	87,856			87,856
Unassigned: Fund balance	5,408,264			5,408,264
	<u>9,099,109</u>	<u>-</u>	<u>96,378</u>	<u>9,195,487</u>
Total Fund Balance	<u>9,099,109</u>	<u>-</u>	<u>96,378</u>	<u>9,195,487</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,599,117</u>	<u>\$ -</u>	<u>\$ 1,587,161</u>	<u>\$ 13,186,278</u>

INCORPORATED VILLAGE OF EAST HILLS
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
May 31, 2022

Total Governmental Fund Balances \$ 9,195,487

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

The costs of building and acquiring capital assets financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the Village as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 43,346,109	
Less: Accumulated depreciation	<u>(22,462,779)</u>	
		20,883,330

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

Net pension asset - employees' retirement system	751,742	
Deferred outflows of resources	1,486,417	
Deferred inflows of resources	<u>(2,618,300)</u>	
		(380,141)

Deferred charge from 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. 14,548

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	601,691	
Service award program liability	(2,196,315)	
Deferred inflows of resources	<u>(212,685)</u>	
		(1,807,309)

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	(13,293,700)	
Deferred inflows of resources	<u>(5,073,579)</u>	
		(18,367,279)

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	(90,946)	
Bonds payable and unamortized premium	(5,878,523)	
Compensated absences payable	<u>(488,172)</u>	

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. 175,116

(6,457,641)

Total Government-wide Net Position	<u>\$ 3,256,111</u>	
------------------------------------	---------------------	--

INCORPORATED VILLAGE OF EAST HILLS
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended May 31, 2022

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Real property taxes	\$ 8,768,659	\$	\$	\$ 8,768,659
Other real property tax items	158,975			158,975
Nonproperty taxes	371,548			371,548
Departmental income	594,601			594,601
Use of money and property	101,903			101,903
Licenses and permits	854,823			854,823
Fines and forfeitures	343,575			343,575
Minor sales and compensation for loss	29,875			29,875
Miscellaneous	66,223			66,223
State aid	505,742			505,742
Federal aid	290,287			290,287
Total Revenues	12,086,211	-	-	12,086,211
EXPENDITURES				
General support	1,782,791	101,645		1,884,436
Public safety	2,331,030			2,331,030
Health	922			922
Transportation	1,312,960			1,312,960
Economic opportunity and development	21,011			21,011
Culture and recreation	984,086			984,086
Home and community services	816,150			816,150
Employee benefits	2,410,168			2,410,168
Debt service				
Principal	1,497,000	7,200,000		8,697,000
Interest	249,901	21,400		271,301
Total Expenditures	11,406,019	7,323,045	-	18,729,064
Excess of Revenues Over Expenditures	680,192	(7,323,045)	-	(6,642,853)
OTHER FINANCING SOURCES (USES)				
Proceeds of current refunding bonds		6,575,000		6,575,000
Premium on obligation		748,045		748,045
BANs redeemed from appropriations			292,000	292,000
Total Other Financing Sources (Uses)	-	7,323,045	292,000	7,615,045
Net Changes in Fund Balances	680,192	-	292,000	972,192
Fund Balances (Deficit) - Beginning of Year	8,418,917		(195,622)	8,223,295
Fund Balances - End of Year	\$ 9,099,109	\$ -	\$ 96,378	\$ 9,195,487

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, 2022

Net Change in Fund Balance		\$ 972,192
Amounts reported for governmental activities in the Statement of Activities are different because:		
<u>Long-Term Revenue and Expense Differences</u>		
In the statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenues for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).		
Change in deferred inflows of resources	\$ 17,273	
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	<u>63,071</u>	80,344
<u>Capital Related Differences</u>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation expense exceeded capital outlays and other additions in the period.		
Capital outlays and other additions	564,642	
Depreciation expense	<u>(1,699,860)</u>	(1,135,218)
<u>Long-Term Debt Transaction Differences</u>		
BANs redeemed from appropriations is an other financing source in the governmental funds and does not affect the Statement of Activities.		
	(292,000)	
Proceeds and premium from the issuance of bonds are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.		
	(7,323,045)	
Payment of refunded bonds is an expenditure in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
	7,221,400	
Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
	328,273	
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.		
	(159,280)	
Repayment of bond anticipation notes is an expenditure in the governmental funds and does not affect the Statement of Activities.		
	292,000	
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	1,205,000	
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 interest increased from May 31, 2021 to May 31, 2022.		
	<u>(21,240)</u>	1,251,108
<u>Pension and Other Postemployment Benefits Differences</u>		
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	394,425	
Service award program	(49,023)	
Other postemployment benefits	<u>(305,825)</u>	39,577
Change in Net Position of Governmental Activities		<u><u>\$ 1,208,003</u></u>

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

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

The Statement of Net Position presents the financial position of the Village at fiscal year end. The Statement of Activities presents a comparison between 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)

Fund Financial Statements

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

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

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

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)

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)

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)

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:

	Capital Threshold	Estimated Useful Life
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)

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, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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)

S. Long-Term Debt

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

In the fund financial statements, governmental funds recognize bond premiums during the current period, with the face amount of debt issued reported as other financing sources. Premiums received on long-term debt issuances are reported as other financing sources. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

In the government-wide financial statements, premiums received on long-term debt issuances are netted with bonds payable and amortized over the life of the bonds.

T. 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, construction 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:

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

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.

Unspent Debt Proceeds

Unspent debt proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects 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.

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.

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

2. FUTURE ACCOUNTING STANDARD

The Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB statements issued, but the statement that the Village feels may have a future impact on these financial statements. The Village will evaluate the impact of this pronouncement and implement it, as applicable, if material.

Effective for the Year Ending	Statement
May 31, 2023	GASB No. 87 - <i>Leases</i>

GASB Statement No. 87 will change the reporting of leases in the government-wide financial statements. A lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of financial resources.

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

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

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.

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, 2022, the general fund's adopted budget was increased for encumbrances carried forward from the prior year as follows, no supplemental appropriations occurred during the year:

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

Adopted budget	\$ 12,951,797
Encumbrances from prior year	<u>62,904</u>
Original Budget	<u><u>\$ 13,014,701</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.

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.

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.

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

6. CAPITAL ASSETS

A. Changes

Capital asset balances and activity for the year ended May 31, 2022 were as follows:

	Balance May 31, 2021	Additions	Reductions	Balance May 31, 2022
Governmental activities				
Capital assets not being depreciated				
Land	\$ 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	4,741,329	186,725	(28,230)	4,899,824
Infrastructure	16,522,190	377,917		16,900,107
Total capital assets being depreciated	40,289,697	564,642	(28,230)	40,826,109
Less accumulated depreciation for:				
Buildings	256,250	12,500		268,750
Site improvements	11,014,536	733,077		11,747,613
Machinery and equipment	3,764,481	290,347	(28,230)	4,026,598
Infrastructure	5,755,882	663,936		6,419,818
Total accumulated depreciation	20,791,149	1,699,860	(28,230)	22,462,779
Total capital assets being depreciated, net	19,498,548	(1,135,218)	-	18,363,330
Capital assets, net	\$ 22,018,548	\$ (1,135,218)	\$ -	\$ 20,883,330

Depreciation expense was allocated to governmental functions as follows:

General support	\$ 89,191
Public safety	61,768
Transportation	747,471
Culture and recreation	773,158
Home and community services	28,272
	<u>\$ 1,699,860</u>

B. Impairment Losses

The Village evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Village's policy is to record an impairment loss in the period when the Village determines that the carrying amount of the asset will not be recoverable. At May 31, 2022, the Village has not recorded any such impairment losses.

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

7. INTERFUND TRANSACTIONS

Interfund balances and activities at May 31, 2022 are as follows:

	Interfund	
	Receivable	Payable
General Fund	\$ 860,783	\$
Capital Projects Fund		860,783
Total	<u>\$ 860,783</u>	<u>\$ 860,783</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, 2021	Issued	Redeemed	Balance May 31, 2022
BAN	8/13/20	8/13/21	0.63%	\$ 922,000	\$	\$ (922,000)	\$ -
BAN	8/12/21	8/13/22	0.29%	-	630,000		630,000
				<u>\$ 922,000</u>	<u>\$ 630,000</u>	<u>\$ (922,000)</u>	<u>\$ 630,000</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	\$ 5,809
Less interest accrued in the prior year	(4,598)
Plus interest accrued in the current year	<u>1,446</u>
Total interest expense on short-term debt	<u>\$ 2,657</u>

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

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:

	Balance May 31, 2021	Additions	Reductions	Balance May 31, 2022	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 7,200,000	\$ 6,575,000	\$ (8,405,000)	\$ 5,370,000	\$ 1,215,000
Add: Unamortized premium	88,751	748,045	(328,273)	508,523	190,997
	<u>7,288,751</u>	<u>7,323,045</u>	<u>(8,733,273)</u>	<u>5,878,523</u>	<u>1,405,997</u>
Other long-term liabilities:					
Compensated absences	<u>551,243</u>		<u>(63,071)</u>	<u>488,172</u>	<u>135,167</u>
	<u>\$ 7,839,994</u>	<u>\$ 7,323,045</u>	<u>\$ (8,796,344)</u>	<u>\$ 6,366,695</u>	<u>\$ 1,541,164</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, 2022
Public Improvement - Refunding Bonds	6/10/2021	8/1/2026	5.00%	<u>\$ 5,370,000</u>

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

Year Ending May 31,	Principal	Interest	Total
2023	\$ 1,215,000	\$ 238,125	\$ 1,453,125
2024	1,285,000	175,625	1,460,625
2025	910,000	120,750	1,030,750
2026	950,000	74,250	1,024,250
2027	<u>1,010,000</u>	<u>25,250</u>	<u>1,035,250</u>
Total	<u>\$ 5,370,000</u>	<u>\$ 634,000</u>	<u>\$ 6,004,000</u>

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

C. Current Bond Refunding

On June 10, 2021, the Village issued \$6,575,000 in refunding (serial) bonds with interest at 5.0%. The net proceeds (the par amount plus premium less underwriter's fees, insurance, and other costs) were used to refund outstanding serial bonds with interest rates ranging from 2.0% to 4.0%. The net proceeds were used to pay \$7,200,000 of outstanding principal. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is \$289,237. These refunded serial bonds resulted 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:

Year Ending May 31,	Amortization of Deferred Charges	Amortization of Premium	Interest Expense Increase / (Decrease)
2023	\$ 5,464	\$ (190,997)	\$ (185,533)
2024	4,030	(140,866)	(136,836)
2025	2,771	(96,852)	(94,081)
2026	1,704	(59,555)	(57,851)
2027	579	(20,253)	(19,674)
Total	<u>\$ 14,548</u>	<u>\$ (508,523)</u>	<u>\$ (493,975)</u>

D. Interest Expense

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

Interest paid	\$ 244,092
Less interest accrued in the prior year	(65,108)
Plus interest accrued in the current year	89,500
Plus amortization of deferred charge from refunding	159,280
Less amortization of bond premium	<u>(328,273)</u>
Total interest expense on long-term debt	<u>\$ 99,491</u>

E. Debt Limit

The Village's outstanding serial bonds and bond anticipation note payable represent 2.92% of the Village's debt limit at May 31, 2022.

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, defined benefit, 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.

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

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 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 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 31st, and employer contributions are either paid by the prior December 15th less a 1.0% discount or by the prior February 1st. The Village paid 100% of the required contributions as billed by the ERS for the current year. The Village's average contribution rate was 16.03% of covered payroll for the ERS' fiscal year ended March 31, 2021.

The Village's share of the required contribution for the Village's year ended May 31, 2022, was \$751,742 for ERS at an average contribution rate of 14.51%.

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

At May 31, 2022, 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, 2022. 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, 2022
Village's proportionate share of the net pension asset	\$ 751,742
Village's portion of the Plan's total net pension liability	0.0091961%
Change in proportion since the prior measurement date	(0.0004617)

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

For the year ended May 31, 2022, the Village recognized pension expense of \$46,257 for ERS. At May 31, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,931	\$ 73,842
Changes of assumptions	1,254,574	21,170
Net difference between projected and actual earnings on pension plan investments		2,461,642
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	118,078	61,646
Village contributions subsequent to the measurement date	<u>56,834</u>	
Total	<u>\$ 1,486,417</u>	<u>\$ 2,618,300</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, 2023. 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>	
2023	\$ (175,673)
2024	(260,262)
2025	(619,229)
2026	<u>(133,553)</u>
	<u>\$ (1,188,717)</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:

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

Measurement date	March 31, 2022
Actuarial valuation date	April 1, 2021
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%

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 previous actuarial valuation as of April 1, 2020 used the same assumptions for the measurement of total pension liability.

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 Real Rate of Return
Measurement date		March 31, 2022
Asset type		
Domestic equity	32.0%	3.30%
International equity	15.0%	5.85%
Real estate	9.0%	5.00%
Private equities	10.0%	6.50%
Alternative investments	10.0%	3.78-5.58%
Fixed income	23.0%	0.00%
Cash	1.0%	-1.00%
	100.0%	

Real rates of return are net of a long-term inflation assumption 2.5% for ERS.

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

Discount Rate

The discount rate used to measure the total pension liability was 5.9%. 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:

	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
Village's proportionate share of the net pension asset / (liability)	\$ (1,934,977)	\$ 751,742	\$ 2,999,054

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, 2022 <i>(Dollars in thousands)</i>
Employers' total pension liability	\$ (223,874,888)
Plan fiduciary net position	<u>232,049,473</u>
Employers' net pension asset	<u>\$ 8,174,585</u>
Ratio of plan fiduciary net position to the employers' total pension liability	103.65%

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, 2022, represent the projected employer contribution for the period of April 1, 2022 through May 31, 2022 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2022 amounted to \$56,834 of employer contributions. Employee contributions are remitted monthly.

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

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, 2022 totaled \$134,287.

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 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

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

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, 2021 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	44
Inactive participants entitled to but not yet receiving benefit payments	99
Active participants	<u>100</u>
Total	<u><u>243</u></u>

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, 2021 measurement date was determined using an actuarial valuation as of December 31, 2020, with update procedures used to roll forward the total pension liability to December 31, 2021.

Actuarial Assumptions

The total pension liability in the December 31, 2020 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.

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

Discount Rate

The discount rate used to measure the total pension liability was 2.24%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021. 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, 2022, the Village reported a liability of \$2,196,315 for its proportionate share of the total pension liability, measured as of December 31, 2021. The proportionate share of total pension liability for the year ended May 31, 2021 was \$2,318,023, measured as of December 31, 2020. 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, 2021 measurement date, the Village's proportion was 27.0274%. At the December 31, 2020 measurement date, the Village's proportion was 26.9720%.

For the year ended May 31, 2022, the Village recognized pension expense of \$157,111, as follows:

Service cost	\$ 50,051
Interest	44,807
Changes of assumptions or other inputs	57,558
Differences between expected and actual experience	2,925
Changes in proportion	1,178
Pension plan administrative expenses	592
	<u>157,111</u>
Total pension expense	<u>\$ 157,111</u>

At May 31, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,029	\$ 4,050
Changes of assumptions or other inputs	530,519	203,756
Changes in proportion	14,893	4,879
Benefit payments and administrative expenses subsequent to the measurement date	29,250	
Total	<u>\$ 601,691</u>	<u>\$ 212,685</u>

The \$29,250 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, 2023.

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

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>	
2023	\$ 61,661
2024	61,661
2025	61,661
2026	61,661
2027	61,661
Thereafter	51,451
	<u>\$ 359,756</u>

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, 2021 measurement date, calculated using the discount rate of 2.24%, 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 (1.24%) or 1-percentage point higher (3.24%) than the current rate:

	1% Decrease <u>1.24%</u>	Current Assumption <u>2.24%</u>	1% Increase <u>3.24%</u>
Village's proportionate share of the net pension liability	<u>\$ (2,644,588)</u>	<u>\$ (2,196,315)</u>	<u>\$ (1,846,415)</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, 2022, 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>

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

B. Total OPEB Liability

The Village's total OPEB liability of \$13,293,700 was measured as of May 31, 2022, 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:

Salary increases	3.00%	average, including inflation
Discount rate	3.51%	
Healthcare cost trend rates	7.00%	for 2022, decreasing to an ultimate rate of 4.50% 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, 2022 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, 2021	<u>\$ 17,720,237</u>
Changes for the year	
Service cost	381,223
Interest on total OPEB liability	617,945
Changes in assumptions or other inputs	(5,195,789)
Benefit payments	<u>(229,916)</u>
	<u>(4,426,537)</u>
Balance at May 31, 2022	<u><u>\$ 13,293,700</u></u>

Changes in assumptions and other inputs reflect a change the discount rate from 2.09% in 2021 to 3.51% in 2022.

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

OPEB	1% Decrease 2.51%	Discount Rate 3.51%	1% Increase 4.51%
Total OPEB liability	<u><u>\$ (16,654,391)</u></u>	<u><u>\$ (13,293,700)</u></u>	<u><u>\$ (10,816,435)</u></u>

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:

OPEB	1% Decrease 6.00% decreasing to 3.50%	Healthcare Cost Trend Rates 7.00% decreasing to 4.50%	1% Increase 8.00% decreasing to 5.50%
Total OPEB liability	<u><u>\$ (10,569,660)</u></u>	<u><u>\$ (13,293,700)</u></u>	<u><u>\$ (17,040,503)</u></u>

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

For the year ended May 31, 2022, the Village recognized OPEB expense of \$535,740. At May 31, 2022, the Village reported net deferred inflows of resources related to OPEB from changes of assumptions in the amount of \$5,195,789, 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 \$1,960,001 has been appropriated to reduce taxes for the year ending May 31, 2023.

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 \$177,678. The Village received payment in lieu of taxes (PILOT) payments totaling \$119,492.

16. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At May 31, 2022, the Village encumbered the following assigned, unappropriated amounts:

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

Public Safety	
Security cameras	\$ 39,354
Transportation	
Highway improvements	48,502
	<u>\$ 87,856</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.

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, 2022, 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:

Issuance of Bond Anticipation Note

On August 12, 2022, the Village used general fund appropriations to satisfy the outstanding bond anticipation note in the amount of \$630,000.

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, 2022

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Real Property Taxes	\$ 8,800,951	\$ 8,800,951	\$ 8,768,659	\$ (32,292)
Other Real Property Tax Items				
Other payments in lieu of taxes	139,476	139,476	119,491	(19,985)
Interest and penalties on real property taxes	35,000	35,000	39,484	4,484
Total Other Real Property Tax Items	174,476	174,476	158,975	(15,501)
Non-Property Tax Items				
Non-property tax distribution	19,325	19,325	19,216	(109)
Utilities gross receipts tax	130,000	130,000	167,516	37,516
Franchise fees	185,000	185,000	184,816	(184)
Total Non-Property Tax Items	334,325	334,325	371,548	37,223
Departmental Income				
Clerk fees	47,000	47,000	223,150	176,150
Safety inspection fees	195,000	195,000	169,831	(25,169)
Pool admission charges	6,000	6,000	13,895	7,895
Concession	250	250	13,800	13,550
Special recreation	1,900	1,900	75,137	73,237
Zoning board fees	61,500	61,500	89,578	28,078
Planning board fees	5,000	5,000	-	(5,000)
Refuse and garbage	3,000	3,000	9,210	6,210
Total Departmental Income	319,650	319,650	594,601	274,951
Use of Money and Property				
Interest and earnings	25,000	25,000	101,903	76,903
Licenses and Permits				
Business and occupational licenses	59,500	59,500	60,208	708
Permits	593,750	593,750	794,615	200,865
Total Licenses and Permits	653,250	653,250	854,823	201,573
Fines and Forfeitures				
Fines and forfeitures	300,000	300,000	343,575	43,575
Minor Sales and Compensation for Loss				
Minor sales			4,820	4,820
Insurance recoveries			25,055	25,055
Total Minor Sales and Compensation for Loss	-	-	29,875	29,875
Miscellaneous				
Other unclassified revenue	15,000	15,000	66,223	51,223
State Aid				
Mortgage tax	180,000	180,000	267,771	87,771
NYS grants	7,394	7,394		(7,394)
Emergency disaster assistance			32,254	32,254
Consolidated highway aid	243,813	243,813	205,717	(38,096)
Total State Aid	431,207	431,207	505,742	74,535
Federal Aid				
Emergency disaster assistance			290,287	290,287
Total Revenues	11,053,859	11,053,859	12,086,211	\$ 1,032,352
APPROPRIATED FUND BALANCE				
Prior years' surplus	1,897,938	1,897,938		
Prior year's encumbrances	62,904	62,904		
Total Appropriated Fund Balance	1,960,842	1,960,842		
Total Revenues and Appropriated Fund Balance	\$ 13,014,701	\$ 13,014,701		

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, 2022

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Legislative board					
Personal services	\$ 91,608	\$ 91,608	\$ 91,608	\$	\$ -
Contractual services	3,750	3,750	2,441		1,309
Village court					
Personal services	91,000	91,000	75,487		15,513
Equipment	3,000	3,000	-		3,000
Contractual services	43,000	43,000	26,610		16,390
Mayor					
Personal services	60,000	60,000	60,000		-
Contractual services	1,000	1,240	1,236		4
Auditor					
Contractual services	66,760	89,128	89,128		-
Budget					
Contractual services	825	825	-		825
Assessment					
Contractual services	32,100	32,100	25,312		6,788
Fiscal agent					
Contractual services	10,500	13,012	13,012		-
Clerk					
Personal services	430,000	430,000	393,667		36,333
Equipment	10,000	9,070	5,157		3,913
Contractual services	50,000	48,178	48,178		-
Law					
Contractual services	282,500	282,500	249,534		32,966
Engineer					
Contractual services	60,000	60,000	3,800		56,200
Election					
Contractual services	6,200	6,200	-		6,200
Operation of buildings					
Equipment	75,000	75,000	6,368		68,632
Contractual services	426,000	426,000	384,695		41,305
Unallocated insurance					
Contractual services	220,000	220,000	215,319		4,681
Municipal association dues					
Contractual services	11,000	11,000	5,569		5,431
Judgments and claims					
Contractual services	200,000	200,000	73,491		126,509
MTA payroll tax					
Contractual services	17,000	17,000	12,179		4,821
Contingent account					
Contractual services	100,000	77,632	-		77,632
Total General Support	<u>2,291,243</u>	<u>2,291,243</u>	<u>1,782,791</u>	<u>-</u>	<u>508,452</u>
Public Safety					
Law enforcement					
Contractual services	72,000	72,000	65,585		6,415
Traffic control					
Contractual services	6,500	6,500	2,125		4,375
Fire protection					
Contractual services	1,113,490	1,113,490	989,430		124,060
Safety inspections					
Personal services	450,000	439,316	424,062		15,254
Equipment	5,000	5,000	-		5,000
Contractual services	20,000	30,684	29,760		924
Security patrol					
Personal services	784,620	749,465	691,987		57,478
Equipment	95,904	88,878	46,104	39,354	3,420
Contractual services	40,000	82,181	81,977		204
Total Public Safety	<u>2,587,514</u>	<u>2,587,514</u>	<u>2,331,030</u>	<u>39,354</u>	<u>217,130</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, 2022

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual & Encumbrances
Health					
Registrar of vital statistics					
Contractual services	\$ 1,000	\$ 1,000	\$ 922	\$	\$ 78
Transportation					
Street administration					
Personal services	117,894	127,621	127,621		-
Street maintenance					
Personal services	645,784	640,290	595,512		44,778
Equipment	50,000	23,000	22,762		238
Contractual services	80,000	75,767	67,187		8,580
Permanent improvement highway					
Contractual services	500,000	500,000	377,918	48,502	73,580
Snow removal					
Personal services	35,000	35,000	24,753		10,247
Contractual services	82,000	82,000	47,640		34,360
Street lighting					
Contractual services	24,000	51,000	49,567		1,433
Total Transportation	1,534,678	1,534,678	1,312,960	48,502	173,216
Economic Opportunity and Development					
Publicity					
Contractual services	30,000	30,000	21,011		8,989
Culture and Recreation					
Parks					
Personal services	730,000	622,864	616,370		6,494
Equipment	25,000	136,303	130,062		6,241
Contractual services	501,800	497,633	236,943		260,690
Celebrations					
Contractual services	10,000	10,000	70		9,930
Programs for the aging					
Contractual services	20,000	20,000	641		19,359
Total Culture and Recreation	1,286,800	1,286,800	984,086	-	302,714
Home and Community Services					
Zoning board of appeals					
Personal services	3,750	3,750	1,722		2,028
Contractual services	29,250	29,250	15,321		13,929
Planning board					
Personal services	300	300	-		300
Contractual services	3,500	3,500	370		3,130
Research					
Contractual services	250	250	-		250
Storm sewers					
Contractual services	9,000	9,000	-		9,000
Refuse collection and disposal					
Personal services	367,000	359,409	334,861		24,548
Equipment	150,000	143,979	-		143,979
Contractual services	458,000	471,612	463,876		7,736
Shade trees					
Contractual services	15,000	15,000	-		15,000
Total Home and Community Services	1,036,050	1,036,050	816,150	-	219,900

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, 2022

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual & Encumbrances
Employee Benefits					
State retirement	\$ 395,495	\$ 440,682	\$ 440,682	\$	\$ -
Social security and Medicare	279,000	279,000	276,542		2,458
Workers' compensation	365,164	247,419	230,769		16,650
Life insurance	5,000	5,000	4,211		789
Unemployment	7,500	7,500	-		7,500
Disability	4,231	4,231	3,159		1,072
Hospital and medical insurance	1,222,541	1,233,541	1,233,247		294
Other benefits	160,000	221,558	221,558		-
Total Employee Benefits	<u>2,438,931</u>	<u>2,438,931</u>	<u>2,410,168</u>	<u>-</u>	<u>28,763</u>
Debt Service					
Principal	1,632,000	1,558,584	1,497,000		61,584
Interest	176,485	249,901	249,901		-
Total Debt Service	<u>1,808,485</u>	<u>1,808,485</u>	<u>1,746,901</u>	<u>-</u>	<u>61,584</u>
Total Expenditures	<u>\$ 13,014,701</u>	<u>\$ 13,014,701</u>	<u>11,406,019</u>	<u>\$ 87,856</u>	<u>\$ 1,520,826</u>
Net Change in Fund Balance			680,192		
Fund Balance - Beginning of Year			<u>8,418,917</u>		
Fund Balance - End of Year			<u>\$ 9,099,109</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 Asset/(Liability)
Last Eight Fiscal years

	<i>Employees' Retirement System</i>							
	2022	2021	2020	2019	2018	2017	2016	2015
Village's proportion of the net pension asset/(liability)	0.0091961%	0.0096578%	0.0089422%	0.0097983%	0.0102777%	0.0100031%	0.0095564%	0.0094608%
Village's proportionate share of the net pension asset/(liability)	\$ 751,742	\$ (9,617)	\$ (2,367,949)	\$ (694,242)	\$ (331,708)	\$ (939,912)	\$ (1,533,826)	\$ (319,609)
Village's covered payroll	\$ 2,882,462	\$ 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 asset/(liability) as a percentage of its covered payroll	26.08 %	(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 asset/(liability)	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rates	5.90%	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>									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 440,682	\$ 429,570	\$ 389,540	\$ 391,880	\$ 377,605	\$ 353,842	\$ 390,973	\$ 385,736	\$ 450,430	\$ 396,931
Contributions in relation to the contractually required contribution	440,682	429,570	389,540	391,880	377,605	353,842	390,973	385,736	450,430	396,931
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	\$ 3,036,323	\$ 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
Contributions as a percentage of covered payroll	15%	15%	13%	14%	14%	13%	16%	17%	20%	19%

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

	2021	2020	2019	2018	2017
	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Measurement date					
Village's proportion of the net pension liability	27.0274%	26.9720%	27.0468%	27.0372%	26.7971%
Village's proportionate share of the net pension liability	\$ 2,196,315	\$ 2,318,023	\$ 1,813,037	\$ 1,672,570	\$ 1,741,063
Discount rate	2.24%	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 Four Fiscal Years

	2022	2021	2020	2019
Total OPEB liability				
Service cost	\$ 381,223	\$ 546,507	\$ 401,557	\$ 355,003
Interest	617,945	412,758	496,327	487,280
Changes of assumptions or other inputs	(5,195,789)	(2,863,197)	2,752,746	-
Benefit payments	<u>(229,916)</u>	<u>(250,077)</u>	<u>(226,300)</u>	<u>(222,158)</u>
Net change in total OPEB liability	(4,426,537)	(2,154,009)	3,424,330	620,125
Total OPEB liability, beginning	<u>17,720,237</u>	<u>19,874,246</u>	<u>16,449,916</u>	<u>15,829,791</u>
Total OPEB liability, ending	<u><u>\$ 13,293,700</u></u>	<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	\$ 2,758,481	\$ 2,332,459	\$ 2,332,459
Total OPEB liability as a percentage of covered employee payroll	481.92%	642.39%	852.07%	705.26%
Discount rate	3.51%	2.50%	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.

This Page Intentionally Left Blank



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, 2022, and the related notes to financial statements which collectively comprise the Village's financial statements, and have issued our report thereon dated March 6, 2023.

Report on 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

NawrockiSmith

Report on 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 direct and material effect on the financial statements. 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
March 6, 2023

A handwritten signature in black ink that reads "Nawrocki Smith LLP". The signature is written in a cursive, flowing style.

