Sleepy Hollow Local Development Corporation

(A Component Unit of the Village of Sleepy Hollow, New York)

Financial Statements

Year Ended May 31, 2016

Sleepy Hollow Local Development Corporation
(A Component Unit of the Village of Sleepy Hollow, New York)

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

The Board of Directors of the
Sleepy Hollow Local Development Corporation

Report on Financial Statements

We have audited the accompanying financial statement of the Sleepy Hollow Local Development Corporation ("LDC"), a component unit of the Village of Sleepy Hollow, New York, for the year ended May 31, 2016 and the related notes to the financial statements which collectively comprise the LDC's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the LDC, as of May 31, 2016, and the respective changes in financial position and cash flows thereof in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the 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 July 22, 2016 on our consideration of the LDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 LDC's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated July 26, 2016 on our consideration of the LDC's compliance with Section 2925(3)(f) of the New York State Public Authorities Law ("Law"). The purpose of that report is to describe the scope and results of our tests of compliance with the Law.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP
Harrison, New York
July 26, 2016

Compliance and Accountability

The Sleepy Hollow Local Development Corporation ("LDC") management is under the direction of the five appointed members of the Board. Pursuant to Article II, Section 1 and Section 2 of the LDC's bylaws, the LDC's Board members are appointed by the Board of Trustees of the Village of Sleepy Hollow, New York ("Village"). The term of office of each Board member of the LDC shall be at the pleasure of the Board of Trustees, and each Board member shall continue to hold office until his/her successor is appointed and has qualified.

The LDC has adopted by-laws, policies and procedures consistent with the 2005 Public Authority Accountability Act ("PAAA").

The LDC has established its own governance structure separate from that of the Village. The LDC has a Chief Executive Officer who has the general supervision over the administration of the business and affairs of the LDC. The LDC also appoints a Chief Financial Officer, a non-voting member, who has the care and custody of all funds of the LDC and keeps regular books of accounts for all its receipts and expenditures.

An Audit Committee of three Board members is responsible for the appointment, compensation and oversight of the public accounting firm. The Audit Committee offers its recommendations to the full Board for action and/or adoption.

Financial Highlights

The LDC declared itself Lead Agency for the anticipated development of the East Parcel and commenced the requisite SEQRA environmental review process. Firms were hired to analyze FEMA flood maps and conduct hydrological studies, control point markups and a survey of the East parcel, conduct a traffic study, and create 2D plans for the site. This required the expenditure of funds on various planning activities, including our planning consultant who oversees the entire SEQRA process, as well as a "Fill Permit" trough the Village Planning Board in support of raising a substantial area of the East Parcel by up to 12 feet.

The LDC reached a pivotal point in negotiations with Metro-North Railroad this year. A temporary Rail Siding License Agreement was executed which required Metro-North Railroad to begin paying a monthly usage fee in the amount of $13,109.66 for the use of the LDC's Rail Siding, including a retroactive settlement payment for prior occupation in the amount of $284,731. The LDC also submitted an application to the Planning Board for sub-division to enable the possible sale of the property beneath the siding tracks to Metro-North Railroad in the future. This Agreement required a substantial amount of legal work.

The LDC also completed New York State PARIS reporting requirements for the first time, which required legal review.

Administrative expenses fell mainly in area of NYSDEC status reports from our environmental engineer, legal counsel for our Board meetings, audit reports, and payroll related expenses as we added our first part-time employee.

Village of Sleepy Hollow Local Development Corporation
(A Component Unit of the Village of Sleepy Hollow, New York)

Statement of Net Position
May 31, 2016

ASSETS	
Current assets	
Cash and equivalents	$ 246,914
Due from Village	55,848
Due from other governments	-
Prepaid expenses	90,773
Total Current Assets	393,535
Capital assets, not being depreciated	3,158,108
Total Assets	3,551,643
LIABILITIES	
Current liabilities	
Accounts payable	61,448
NET POSITION	
Net investment in capital assets	3,158,108
Unrestricted	332,087
Total Net Position	$ 3,490,195

See notes to financial statements

Village of Sleepy Hollow Local Development Corporation
(A Component Unit of the Village of Sleepy Hollow, New York)

Statement of Activities
For the Year Ended May 31, 2016

OPERATING REVENUES	
License fees	$ 383,285
Reimbursed expenses	8,750
Total Operating Revenue	392,035
OPERATING EXPENSES	
Professional fees	39,121
Legal fees	59,125
Insurance	10,575
Payroll expense	2,993
Utilities	4,838
Total Operating Expenses	116,652
Change in Net Position	275,383
NET POSITION	
Beginning of Year	3,214,812
End of Year	$ 3,490,195

See notes to financial statements

Village of Sleepy Hollow Local Development Corporation
(A Component Unit of the Village of Sleepy Hollow, New York)

Statement of Cash Flows
For the Year Ended May 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from operating activities	$ 483,754
Cash paid for operating activities	(78,732)
Net Cash from Operating Activities	405,022
NET CASH FROM INVESTING ACTIVITIES	
Increase in development costs	(158,108)
CASH AND EQUIVALENTS	
Beginning of Year	-
End of Year	$ 246,914
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES	
Operating income	$ 275,383
Adjustments to reconcile operating income to net cash from operating activities	
Changes in operating assets and liabilities	
Due from Village	(21,745)
Due from other governments	113,464
Prepaid expenses	10,575
Accounts payable	27,345
Net Cash from Operating Activities	$ 405,022

See notes to financial statements

Note 1 - Organization and Purpose

The Sleepy Hollow Local Development Corporation ("LDC"), A Component Unit of the Village of Sleepy Hollow, New York was created on September 18, 2014 as a local development corporation by the Village of Sleepy Hollow, New York ("Village") under Sections 102 and 1411 of the Not-For-Profit Corporation Law in order to relieve and reduce unemployment, promote and provide for additional and maximum employment, improve and maintain job opportunities, lessen the burdens of government and act in the public interest. The LDC is subject to the Public Authorities Accountability Act of 2005, as amended by Chapter 506 of the Laws of 2009 (collectively, the "PAAA") and shall comply with the PAAA, as set forth within the New York State Public Authorities Law. The LDC is managed by a Board of Directors that serves at the pleasure of the sole member (Village) and therefore, the Village is considered able to impose its will on the LDC.

The income of the LDC is excludable from taxation under Section 115(1) of the Internal Revenue Code.

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

The LDC has been identified as a component unit of the Village. In accordance with the criteria enumerated in Governmental Accounting Standards Board ("GASB") Statement No. 61, the Corporation's financial statements have been discretely presented in the Village's financial statements.

Basis of Accounting

The accounting policies of the LDC conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The LDC reports its operations on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash and Equivalents

Cash and equivalents consist of funds deposited in demand deposit accounts. Collateral is required for these deposits at 100% of all deposits not covered by Federal deposit insurance. The LDC has entered into custodial agreements with the depositories which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Receivables

Receivables are recorded and revenues recognized as earned. Allowances are recorded when appropriate.

Prepaid Expenses

Prepaid expenses consist of insurance costs which have been satisfied prior to year end but will benefit subsequent periods.

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets consist of donated land known as the East Parcel, as well as the development costs associated with the East Parcel construction project. Donated capital assets are recorded at estimated fair market value at the date of donation.

Net Position

Net position represents the difference between assets and liabilities, net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the LDC or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the statement of net position is classified as net investment in capital assets and unrestricted.

Use of Estimates

The preparation of the 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is July 26, 2016.

Note 3 - Detailed Notes on Assets, Liabilities and Net Position

Change in the Corporation's Capital Assets are as follows:

	Balance June 1, 2015	Additions	Balance May 31, 2016
Capital Assets, not being depreciated			
Land	$ 3,000,000	$ -	$ 3,000,000
Develoment Costs	-	158,108	158,108
Total Capital Assets, not being depreciated	$ 3,000,000	$ 158,108	$ 3,158,108

Note 4 - Risk Management

The LDC obtained pollution legal liability insurance on December 22, 2014 with coverage up to $10 million with a $250,000 deductible through December 22, 2024.

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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*

Independent Auditors' Report

The Board of Directors of the
Sleepy Hollow Local Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the Sleepy Hollow Local Development Corporation ("LDC"), a component unit of the Village of Sleepy Hollow, New York, for the year ended May 31, 2016 and the related notes to the financial statements, which collectively comprise the LDC's financial statements, and have issued our report thereon dated July 26, 2016.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LDC'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP
Harrison, New York
July 26, 2016

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Accountants' Report on Compliance with Section 2925(3)(f) of the New York State Public Authorities Law

The Board of Directors of the
Sleepy Hollow Local Development Corporation

We have examined the Sleepy Hollow Local Development Corporation's ("LDC"), a component unit of the Village of Sleepy Hollow, New York, compliance with Section 2925(3)(f) of the New York State Public Authorities Law and Part 201 of Title Two of the New York Code of Rules and Regulations for the year ended May 31, 2016. Management is responsible for the LDC's compliance with those requirements. Our responsibility is to express an opinion on the LDC's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining on a test basis evidence supporting the LDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the LDC's compliance with specified requirements.

In our opinion, the LDC complied, in all material respects, with the aforementioned requirements for the year ended May 31, 2016.

This report is intended solely for the information and use of management, the Board of Directors, officials of the Village of Sleepy Hollow, New York and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP
Harrison, New York
July 26, 2016

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