

Village of Sleepy Hollow, New York

Financial Statements and
Supplementary Information

Year Ended May 31, 2017

Village of Sleepy Hollow, New York

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Independent Auditors' Report

**The Honorable Mayor and Board of Trustees
of the Village of Sleepy Hollow, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Sleepy Hollow, New York ("Village") as of and for the year ended May 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 audit 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of May 31, 2017, and the respective changes in financial position and the budgetary comparison for the General and Water Funds for the year then ended 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 and the schedules included under Required Supplementary Information in the table of contents 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.

Supplementary and Other Information

Our audit for the year ended May 31, 2017 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* for the year ended May 31, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended May 31, 2017 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended May 31, 2017.

We also previously audited, in accordance with auditing standards generally accepted in the United State of America, the basic financial statements of the Village as of and for the year ended May 31, 2016 (not presented herein), and have issued our report thereon dated January 23, 2017, which contained unmodified opinions on the respective financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended May 31, 2016

are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 2016 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended May 31, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2018 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

February 5, 2018

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Village of Sleepy Hollow, New York

Management's Discussion and Analysis (MD&A)

May 31, 2017

Introduction

The management of the Village of Sleepy Hollow offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended May 31, 2017 to readers of the Village's financial statements. It should be read in conjunction with the basic financial statements and the notes to the Village's financial statements which immediately follow this section, to enhance the understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- Net position may serve over time as a useful indicator of the Village's financial position. On the government-wide financial statements, the assets of the Village exceeded its liabilities at the close of the fiscal year 2017 by \$11,560,522. Of this amount, the unrestricted portion is (\$10,007,111) and net invested in capital assets is \$16,363,185. The restricted amount totals \$5,204,448. Of this amount, \$1,734,189 is solely to be used to alleviate impacts related to the Edge-on-Hudson project as specified in a Special Permit. The balance of \$3,470,259 is for use for the Water, Sewer and Special Purpose (Parks & Recreation Developer's Fund) funds, future snow removal and debt service expenses.
- As of the close of the fiscal year, the Village's governmental funds (exclusive of the Capital Projects Fund) reported combined ending fund balances of \$9,739,063; an increase of \$1,622,905 from the prior year's fund balance of \$8,116,158.
 - Of this balance, \$3,178,305 or 32.65%, is unassigned for fiscal year 2017. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.
 - The remainder of fund balance is either classified as Nonspendable, Restricted or Assigned to indicate that it is not available for new spending.
- The General fund balance increased by \$816,135 to \$5,550,623 from \$4,734,488. At the end of the fiscal years 2017 and 2016, unassigned fund balance for the General Fund was \$3,180,068 or 57.29% and \$2,521,579 or 53.26% respectively, of total General Fund expenditures and other financing uses. This indicates strong growth in the unassigned fund balance for general activities of the Village.
- The Village retired \$3,875,000 of long-term debt. During the current fiscal year, the Village issued bond anticipation notes for Capital Projects of \$6,841,009.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Village's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Village include general government support, public safety, health, transportation, economic opportunity and development, culture and recreation, home and community services and interest.

Fund Financial Statements

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. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 seven individual governmental funds: the General Fund, Water Fund, Parking Fund, Sewer Fund, Sanitation Fund, Special Purpose Fund and the Capital Projects Fund. The General, Water and Capital Projects funds are considered major funds and information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for these funds. The remaining funds are non-major and their information is aggregated and presented in a single column as other governmental funds.

Budgetary comparison statements are provided for the General Fund and Water Fund. Budgetary comparison statements have been provided for these funds within the basic financial statements to demonstrate compliance with the respective budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Village programs. The Village's fiduciary fund consists of an Agency Fund. Resources in the Agency Fund are held by the Village purely in a custodial capacity. The activity in this fund is limited to the receipt, temporary investment, and remittance of resources to the appropriate individual, organization, or government.

Notes to the Financial Statements

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

Other Information

Additional statements and schedules can be found immediately following the notes to the financial statements and include individual fund financial statements and schedules of "budget to actual" comparisons.

Government-wide Financial Analysis

As noted previously, over a period of time net position may serve as a useful indicator of a government's financial position. At fiscal year end, May 31, 2017, the assets of the Village exceeded the liabilities by \$11,560,522.

The Village's total net position increased by \$1,785,831 for the year ended May 31, 2017, primarily due to several factors including recognition of deferred outflows of resources, deferred inflows of resources, and net pension liability related to the New York State and Local Retirement System ("NYSLRS") required under the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68. The GASB is charged with developing the accounting rules that apply to governments. For the year ending May 31, 2017, the village had deferred outflows of resources of \$3,159,469, deferred inflows of resources of \$850,772 and a net pension liability of \$3,920,428 related to NYSLRS. In addition, the Village still retains \$1,734,189 in cash to be used to alleviate impacts related to the Edge-on-Hudson project as specified in a Special Permit.

Net Position

	May 31,	
	2017	2016
Current Assets	\$ 16,658,364	\$ 18,463,326
Capital Assets, net	33,891,290	27,910,152
Total Assets	50,549,654	46,373,478
Deferred Outflows of Resources	3,159,469	5,619,535
Current Liabilities	10,378,066	11,439,905
Non-Current Liabilities	30,919,763	29,821,327
Total Liabilities	41,297,829	41,261,232
Deferred Inflows of Resources	850,772	957,090
Net Position		
Net Investment in Capital Assets	16,193,214	14,215,724
Restricted	5,204,448	4,652,451
Unrestricted	(9,837,140)	(9,093,484)
Total Net Position	\$ 11,560,522	\$ 9,774,691

Change in Net Position

	May 31,	
	2016	2015
REVENUES		
Program Revenues		
Charges for Services	\$ 6,970,040	\$ 6,621,766
Operating Grants and Contributions	129,457	145,633
Capital Grants and Contributions	2,447,967	2,345,598
Total Program Revenues	9,547,464	9,112,997
General Revenues		
Real Property Taxes	12,032,234	11,788,977
Other Tax Items	703,980	806,583
Non-Property Taxes	1,704,351	1,700,666
Unrestricted Use of Money and Property	23,908	28,130
Sale of Property and Compensation for Loss	-	30,066
Unrestricted State Aid	175,831	225,329
Insurance recoveries	118,560	118,580
Miscellaneous	122,742	11,676
Total General Revenues	14,881,606	14,710,007
Total Revenues	24,429,070	23,823,004
PROGRAM EXPENSES		
General Government Support	3,548,341	3,404,011
Public Safety	8,908,358	9,129,149
Health	267,468	252,326
Transportation	2,409,871	2,104,214
Economic Opportunity and Development	653,227	238,924
Culture and Recreation	2,437,214	2,548,399
Home and Community Services	3,998,632	3,828,364
Interest	420,128	527,421
Total Expenses	22,643,239	22,032,808
Change in Net Position	1,785,831	1,790,196
NET POSITION		
Beginning, as reported	9,774,691	8,481,709
Cumulative Effect of Change in Accounting Principle	-	(497,214)
Beginning, as restated	9,774,691	7,984,495
Ending	\$ 11,560,522	\$ 9,774,691

Governmental Activities

For the fiscal years ended May 31, 2017 and 2016, revenues from governmental activities totaled \$24,429,070 and \$23,823,004, respectively. Tax revenues \$14,440,565 in 2017 and \$14,296,226 in 2016, comprised of real property taxes, other tax items and non-property taxes; represented the largest revenue source (59.1% in 2017 and 60.0% in 2016).

The largest components of governmental activities' expenditures are public safety (39.3% in 2017 and 41.4% in 2016), home and community services (17.7% in 2017 and 17.4% in 2016), general government support (15.7% in 2017 and 15.4% in 2016) and culture and recreation (10.8% in 2017 and 11.6% in 2016). Public safety includes police, fire and safety inspections. Home and community services include planning, refuse and garbage and shade tree costs. General government support reflects various administrative services including clerk, engineer, law, treasurer, justices and the Board of Trustees. Culture and recreation includes recreation administration, parks maintenance, general recreation, youth programs, public library and adult recreation.

Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund Balance Reporting

It is important to note that this year's financial statements again include the presentation of the Governmental Accounting Standards board ("GASB") Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". GASB Statement No. 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: Non-spendable, restricted, committed, assigned and unassigned. An explanation of these classifications follows below:

Nonspendable – consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

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.

Committed – consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. 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.

Unassigned – represents the residual classification for the government’s General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

These changes were made to reflect spending constraints on resources, rather than availability for appropriations and to bring greater clarity and consistency to fund balance reporting. This pronouncement should result in an improvement in the usefulness of fund balance information.

Governmental Funds

The focus of the Village’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Village’s financing requirements.

The Village’s governmental funds reported ending fund balances of May 31, as follows:

<u>Fund</u>	<u>2017</u>	<u>2016</u>
General	\$ 5,550,623	\$ 4,734,488
Water	2,659,052	2,017,959
Parking	16	52,902
Sewer	654,356	604,892
Sanitation	216,031	47,802
Special Purpose	658,985	658,115
Capital Projects	<u>(2,165,198)</u>	<u>(1,079,774)</u>
	<u>\$ 7,573,865</u>	<u>\$ 7,036,384</u>

Exclusive of the Capital Projects Fund, the combined ending fund balance is \$9,739,063 of which \$3,178,305 is unassigned.

The General Fund is the primary operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,180,068, representing 57.29% of the total General Fund balance of \$5,550,623. When the fiscal year 2016-17 General Fund budget was adopted, it anticipated that revenues would equal expenditures. Actual results of operations resulted in an increase in the fund balance of \$816,135. Revenues and other financing sources were \$20,180,513, which was \$403,892 more than the final budget. This increase was primarily due to unbudgeted revenue received from a tax settlement, an increased PILOT payment and an increase in Workers’ Comp insurance recoveries. Expenditures and other financing uses were \$19,364,378, which was \$412,243 less than the final budget. This was primarily due to savings in the General Government Support, Public Safety and Debt Service lines.

The Capital Projects Fund has a restricted fund balance of \$(2,165,198). A majority of the capital projects have been financed by long term debt and grants as of May 31, 2017.

Capital Assets and Debt Administration

Capital Assets

The Village's investment in capital assets for governmental activities at May 31, 2017, net of accumulated depreciation, was \$33,891,290. This investment in capital assets includes land, construction-in-progress, buildings, land improvements, infrastructure (not all inclusive) and machinery and equipment.

Major capital asset activity during the current fiscal year included the following:

Capital Assets

<u>Asset</u>	May 31,	
	2017	2016
Land	\$ 2,938,414	\$ 2,938,414
Construction-in-Progress	6,822,590	1,232,683
Buildings	5,558,229	5,551,739
Land Improvements	2,794,122	2,753,946
Infrastructure	11,133,259	11,725,040
Machinery and Equipment	4,644,676	3,708,330
Total (net of depreciation)	<u>\$ 33,891,290</u>	<u>\$ 27,910,152</u>

Long-Term Debt /Short-Term Debt

At the end of the current fiscal year, the Village had total bonded debt outstanding of \$15,848,400. As required by New York State Law, all bonds issued by the Village are general obligation bonds, backed by the full faith and credit of the Village.

Economic Factors and Next Year's Budgets and Rates

We have seen continued increases in the cost of providing health insurance and retirement benefits to our employees over the last 3 years. Retirement benefits continue to put a strain on available Village resources. Fortunately, we were able to continue to contribute to our fund balance this year due to revenues from a tax settlement, an increased PILOT payment and an increase in Workers' Comp insurance recoveries; as well as spending \$412,243 under budget.

The ongoing economic climate continues to have an impact on our local economy. Housing prices are slightly improving, new construction is still slow, and unemployment continues to reduce disposable incomes. With this in mind, the Village continually attempts to eliminate or reduce non-essential spending, while closely monitoring the costs of the programs that our residents rely on.

Requests for Information

This financial report is designed to provide a general overview of the Village of Sleepy Hollow's finances. Questions and comments concerning any of the information provided in this report should be addressed to Sara A. DiGiacomo, Village Treasurer, Village of Sleepy Hollow, 28 Beekman Avenue, Sleepy Hollow, New York 10591.

Village of Sleepy Hollow, New York

Statement of Net Position
May 31, 2017

	Primary Government	Component Unit
	Governmental Activities	Local Development Corporation
ASSETS		
Cash and equivalents	\$ 14,436,692	\$ 1,514,675
Receivables		
Taxes, net	153,388	-
Accounts	297,796	-
Water rents	754,978	-
Sewer rents	123,806	-
Due from State and Federal governments	261,938	-
Due from other governments	308,513	-
Due from primary government	-	116,908
Inventories	56,241	-
Deposits	-	89,750
Prepaid expenses	265,012	80,198
Capital assets		
Not being depreciated	9,761,004	3,603,119
Being depreciated, net	24,130,286	68,974
Total Assets	<u>50,549,654</u>	<u>5,473,624</u>
DEFERRED OUTFLOWS OF RESOURCES		
	<u>3,159,469</u>	<u>-</u>
LIABILITIES		
Accounts payable	931,369	138,650
Accrued liabilities	761,232	-
Due to component unit	116,908	-
Unearned revenues	265,884	-
Bond anticipation notes payable	6,855,718	-
Accrued interest payable	175,970	-
Non-current liabilities		
Due within one year	1,270,985	-
Due in more than one year	30,919,763	-
Total Liabilities	<u>41,297,829</u>	<u>138,650</u>
DEFERRED INFLOWS OF RESOURCES		
	<u>850,772</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	16,363,185	3,672,093
Restricted		
Snow removal	106,239	-
Debt service	271,799	-
Future capital projects	1,734,189	-
Special Revenue Funds		
Water	1,982,590	-
Sewer	450,646	-
Special purpose	658,985	-
Unrestricted	(10,007,111)	1,662,881
Total Net Position	<u>\$ 11,560,522</u>	<u>\$ 5,334,974</u>

The notes to the financial statements are an integral part of this statement.

Village of Sleepy Hollow, New York

Statement of Activities
Year Ended May 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government support	\$ 3,548,341	\$ 166,625	\$ -	\$ 15,183
Public safety	8,908,358	677,645	-	100,458
Health	267,468	134,587	-	-
Transportation	2,409,871	371,711	128,087	440,164
Economic opportunity and development	653,227	-	-	-
Culture and recreation	2,437,214	234,641	1,370	60,930
Home and community services	3,998,632	5,387,405	-	1,828,386
Interest	420,128	-	-	272
Total Governmental Activities	<u>\$ 22,643,239</u>	<u>\$ 6,972,614</u>	<u>\$ 129,457</u>	<u>\$ 2,445,393</u>
Component unit				
Local Development Corporation	<u>\$ 185,633</u>	<u>\$ 2,030,412</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues				
Real property taxes				
Other tax items				
Payments in lieu of taxes				
Interest and penalties on real property taxes				
Non-property taxes				
Franchise fees				
Utilities gross receipts taxes				
Non-property tax distribution from County				
Unrestricted use of money and property				
Unrestricted State aid				
Miscellaneous				
Insurance recoveries				
Total General Revenues				
Change in Net Position				
Net Position - Beginning				
Net Position - Ending				

The notes to the financial statements are an integral part of this statement.

Primary Government	Component Unit
Net (Expense) Revenue and Changes in Net Position	Local Development Corporation
\$ (3,366,533)	\$ -
(8,130,255)	-
(132,881)	-
(1,469,909)	-
(653,227)	-
(2,140,273)	-
3,217,159	-
(419,856)	-
(13,095,775)	-
-	1,844,779
12,032,234	-
570,389	-
133,591	-
133,211	-
116,220	-
1,454,920	-
23,908	-
175,831	-
122,742	-
118,560	-
14,881,606	-
1,785,831	1,844,779
9,774,691	3,490,195
\$ 11,560,522	\$ 5,334,974

Village of Sleepy Hollow, New York

Balance Sheet
 Governmental Funds
 May 31, 2017

	General	Water	Capital Projects
ASSETS			
Cash and equivalents	\$ 7,266,789	\$ 4,187,293	\$ 369,017
Taxes receivable, net of allowance for uncollectible taxes	153,388	-	-
Other receivables			
Accounts	70,222	-	-
Water rents	-	754,978	-
Sewer rents	-	-	-
Due from State and Federal governments	13,759	-	248,179
Due from other governments	308,513	-	-
Due from other funds	3,959,417	-	4,409,790
	<u>4,351,911</u>	<u>754,978</u>	<u>4,657,969</u>
Other assets			
Inventories	-	56,241	-
Prepaid expenditures	228,117	18,656	-
	<u>228,117</u>	<u>74,897</u>	<u>-</u>
Total Assets	<u>\$ 12,000,205</u>	<u>\$ 5,017,168</u>	<u>\$ 5,026,986</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ 329,253	\$ 140,467	\$ 99,353
Accrued liabilities	688,395	31,673	-
Due to other funds	5,134,584	2,185,976	3,643
Due to component unit	116,908	-	-
Unearned revenues	12,345	-	248,179
Bond anticipation notes payable	14,709	-	6,841,009
Total Liabilities	6,296,194	2,358,116	7,192,184
Deferred inflows of resources			
Deferred tax revenues	153,388	-	-
Total Liabilities and Deferred Inflows of Resources	<u>6,449,582</u>	<u>2,358,116</u>	<u>7,192,184</u>
Fund balances (deficits)			
Nonspendable	228,117	74,897	-
Restricted	2,112,227	-	-
Assigned	30,211	2,584,155	-
Unassigned	3,180,068	-	(2,165,198)
Total Fund Balances (Deficits)	<u>5,550,623</u>	<u>2,659,052</u>	<u>(2,165,198)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 12,000,205</u>	<u>\$ 5,017,168</u>	<u>\$ 5,026,986</u>

The notes to the financial statements are an integral part of this statement.

Non-Major Governmental	Total Governmental Funds
\$ 2,613,593	\$ 14,436,692
-	153,388
227,574	297,796
-	754,978
123,806	123,806
-	261,938
-	308,513
372,370	8,741,577
723,750	10,488,608
-	56,241
18,239	265,012
18,239	321,253
\$ 3,355,582	\$ 25,399,941

\$ 362,296	\$ 931,369
41,164	761,232
1,417,374	8,741,577
-	116,908
5,360	265,884
-	6,855,718
1,826,194	17,672,688
-	153,388
1,826,194	17,826,076
18,239	321,253
658,985	2,771,212
853,927	3,468,293
(1,763)	1,013,107
1,529,388	7,573,865
\$ 3,355,582	\$ 25,399,941

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Village of Sleepy Hollow, New York

Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position Year Ended May 31, 2017

Fund Balances - Total Governmental Funds	<u>\$ 7,573,865</u>
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>33,891,290</u>
Governmental funds do not report the effect of losses on refunding bonds and assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred and amortized in the statement of activities.	
Deferred amounts on pension assets (liabilities)	2,171,933
Deferred amounts on refunding bonds	<u>136,764</u>
	<u>2,308,697</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real property taxes	<u>153,388</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(175,970)
Bonds payable	(15,980,471)
Retirement incentives and other pension obligations	(513,911)
Net pension liability	(3,920,428)
Compensated absences	(875,938)
Other post employment benefit obligations payable	<u>(10,900,000)</u>
	<u>(32,366,718)</u>
Net Position of Governmental Activities	<u>\$ 11,560,522</u>

The notes to the financial statements are an integral part of this statement.

Village of Sleepy Hollow, New York

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended May 31, 2017

	General	Water	Capital Projects
REVENUES			
Real property taxes	\$ 12,058,423	\$ -	\$ -
Other tax items	703,980	-	-
Non-property taxes	1,704,351	-	-
Departmental income	519,606	4,072,273	-
Use of money and property	101,954	-	-
Licenses and permits	626,586	-	-
Fines and forfeitures	72,991	-	-
State aid	302,293	-	438,644
Federal aid	-	-	1,837,603
Miscellaneous	122,742	-	168,874
Total Revenues	16,212,926	4,072,273	2,445,121
EXPENDITURES			
Current			
General government support	2,334,230	96,000	-
Public safety	4,205,852	-	-
Health	228,565	-	-
Transportation	1,279,929	-	-
Economic opportunity and development	627,322	-	-
Culture and recreation	1,674,135	-	-
Home and community services	17,505	1,939,738	-
Employee benefits	4,218,247	382,031	-
Debt service			
Principal	1,077,522	152,556	-
Interest	354,324	50,945	-
Refunding bond issuance costs	87,837	-	-
Capital outlay	-	-	7,695,158
Total Expenditures	16,105,468	2,621,270	7,695,158
Excess (Deficiency) of Revenues Over Expenditures	107,458	1,451,003	(5,250,037)
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	118,560	-	-
Bonds issued	-	-	3,893,100
Refunding bonds issued	2,775,000	-	-
Issuance premium	89,607	-	-
Payment to refunding bond escrow agent	(2,776,770)	-	-
Transfers in	984,420	-	271,513
Transfers out	(482,140)	(809,910)	-
Total Other Financing Sources (Uses)	708,677	(809,910)	4,164,613
Net Change in Fund Balances	816,135	641,093	(1,085,424)
FUND BALANCES (DEFICITS)			
Beginning of Year	4,734,488	2,017,959	(1,079,774)
End of Year	<u>\$ 5,550,623</u>	<u>\$ 2,659,052</u>	<u>\$ (2,165,198)</u>

The notes to the financial statements are an integral part of this statement.

Non - Major Governmental	Total Governmental Funds
\$ -	\$ 12,058,423
-	703,980
-	1,704,351
1,603,490	6,195,369
2,889	104,843
-	626,586
-	72,991
-	740,937
-	1,837,603
-	291,616
<u>1,606,379</u>	<u>24,336,699</u>
61,000	2,491,230
-	4,205,852
-	228,565
145,014	1,424,943
-	627,322
500	1,674,635
763,609	2,720,852
369,347	4,969,625
106,098	1,336,176
31,251	436,520
-	87,837
-	7,695,158
<u>1,476,819</u>	<u>27,898,715</u>
<u>129,560</u>	<u>(3,562,016)</u>
-	118,560
-	3,893,100
-	2,775,000
-	89,607
-	(2,776,770)
210,627	1,466,560
(174,510)	(1,466,560)
<u>36,117</u>	<u>4,099,497</u>
165,677	537,481
<u>1,363,711</u>	<u>7,036,384</u>
<u>\$ 1,529,388</u>	<u>\$ 7,573,865</u>

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Village of Sleepy Hollow, New York

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended May 31, 2017

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 537,481</u>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount may be less than the total capital outlay since capital outlay includes amounts that are under the capitalization threshold.</p>	
Capital outlay expenditures	7,590,776
Depreciation expense	<u>(1,609,638)</u>
	<u>5,981,138</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Real property taxes	<u>(26,189)</u>
<p>Bonds, certain bond anticipation notes and other obligations issued provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and certain bond anticipation notes and other obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Bonds issued	(4,198,400)
Refunding bonds issued	(2,775,000)
Payment to refunded bond escrow agent	2,776,770
Issuance premium	(89,607)
Principal paid on bond anticipation notes	446,476
Principal paid on bonds	1,195,000
Retirement incentives and other pension obligations	63,825
Amortization of loss on refunding bonds and issuance premium	<u>(178)</u>
	<u>(2,581,114)</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(11,755)
Pension liabilities	(720,300)
Accrued interest	16,570
Other post employment benefit obligations payable	<u>(1,410,000)</u>
	<u>(2,125,485)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,785,831</u>

The notes to the financial statements are an integral part of this statement.

Village of Sleepy Hollow, New York

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 General and Water Funds
 Year Ended May 31, 2017

	General Fund			Variance with Final Budget (Positive) Negative
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 12,038,678	\$ 12,038,678	\$ 12,058,423	\$ 19,745
Other tax items	550,000	550,000	703,980	153,980
Non-property taxes	1,655,000	1,655,000	1,704,351	49,351
Departmental income	569,610	569,610	519,606	(50,004)
Use of money and property	71,000	71,000	101,954	30,954
Licenses and permits	626,500	626,500	626,586	86
Fines and forfeitures	75,000	75,000	72,991	(2,009)
Sale of property and compensation for loss	5,000	5,000	-	(5,000)
State aid	253,806	253,806	302,293	48,487
Miscellaneous	13,000	13,000	122,742	109,742
Total Revenues	15,857,594	15,857,594	16,212,926	355,332
EXPENDITURES				
Current				
General government support	2,654,564	2,388,302	2,334,230	54,072
Public safety	4,562,782	4,360,202	4,205,852	154,350
Health	250,200	256,419	228,565	27,854
Transportation	1,223,496	1,296,319	1,279,929	16,390
Economic opportunity and development	103,700	637,034	627,322	9,712
Culture and recreation	1,740,473	1,707,392	1,674,135	33,257
Home and community services	47,010	18,005	17,505	500
Employee benefits	4,431,648	4,250,193	4,218,247	31,946
Debt service				
Principal	1,257,766	1,382,822	1,077,522	305,300
Interest	429,748	404,699	354,324	50,375
Refunding bond issuance costs	-	87,837	87,837	-
Total Expenditures	16,701,387	16,789,224	16,105,468	683,756
Excess (Deficiency) of Revenues Over Expenditures	(843,793)	(931,630)	107,458	1,039,088
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	70,000	70,000	118,560	48,560
Refunding bonds issued	-	2,775,000	2,775,000	-
Issuance premium	-	89,607	89,607	-
Payment to refunding bond escrow agent	-	(2,776,770)	(2,776,770)	-
Transfers in	984,420	984,420	984,420	-
Transfers out	(210,627)	(210,627)	(482,140)	(271,513)
Total Other Financing Sources (Uses)	843,793	931,630	708,677	(222,953)
Net Change in Fund Balances	-	-	816,135	816,135
FUND BALANCES				
Beginning of Year	-	-	4,734,488	4,734,488
End of Year	\$ -	\$ -	\$ 5,550,623	\$ 5,550,623

The notes to the financial statements are an integral part of this statement.

Water Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget (Positive) Negative
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
3,718,000	3,718,000	4,072,273	354,273
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>3,718,000</u>	<u>3,718,000</u>	<u>4,072,273</u>	<u>354,273</u>
96,000	96,000	96,000	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,239,306	2,217,030	1,939,738	277,292
373,500	383,794	382,031	1,763
149,554	156,790	152,556	4,234
49,730	54,476	50,945	3,531
-	-	-	-
<u>2,908,090</u>	<u>2,908,090</u>	<u>2,621,270</u>	<u>286,820</u>
<u>809,910</u>	<u>809,910</u>	<u>1,451,003</u>	<u>641,093</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>(809,910)</u>	<u>(809,910)</u>	<u>(809,910)</u>	<u>-</u>
<u>(809,910)</u>	<u>(809,910)</u>	<u>(809,910)</u>	<u>-</u>
-	-	641,093	641,093
-	-	2,017,959	2,017,959
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,659,052</u>	<u>\$ 2,659,052</u>

Village of Sleepy Hollow, New York

Statement of Assets and Liabilities

Fiduciary Fund

May 31, 2017

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 468,075
Accounts receivable	<u>36,922</u>
Total Assets	<u><u>\$ 504,997</u></u>
LIABILITIES	
Payroll taxes	\$ 158,824
Deposits	<u>346,173</u>
Total Liabilities	<u><u>\$ 504,997</u></u>

The notes to the financial statements are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

The Village of Sleepy Hollow, New York ("Village") was established in 1874 and operates in accordance with Village Law and the various other applicable laws of the State of New York. The Village Board of Trustees is the legislative body responsible for overall operation. The Village Manager serves as the chief executive officer and the Village Treasurer serves as the chief financial officer. The Village provides the following services to its residents: public safety, health, transportation, economic opportunity and development, culture and recreation, home and community services and general and administrative support.

The accounting policies of the Village conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Village's more significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of a) the primary government, which is the Village, b) organizations for which the Village is financially accountable and c) other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Village's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, the following organization is related to the Village:

The Sleepy Hollow Local Development Corporation ("LDC") was created on September 18, 2014 as a local development corporation by the 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 Village and therefore, the Village is considered able to impose its will on the LDC. The financial statements of the LDC have been reflected as a discretely presented component unit. Complete financial information can be obtained from:

Sleepy Hollow Local Development Corporation
28 Beekman Avenue
Sleepy Hollow, New York 10591

B. Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the Village as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

Note 1 - Summary of Significant Accounting Principles (Continued)

The Statement of Net Position presents the financial position of the Village at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Village does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Village maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The Village's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Village's major governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the Village and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The major special revenue fund of the Village is as follows -

Note 1 - Summary of Significant Accounting Principles (Continued)

Water Fund - used to record the water utility operations of the Village, which renders services on a user charge basis to the general public.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

The following are the Village's non-major governmental funds:

Special Revenue Funds:

Parking Fund - used to account for the operation and maintenance of the public parking spaces and lots in the Village.

Sewer Fund - used to record the sewer operations of the Village, which renders services on a user charge basis to the general public.

Sanitation Fund - used to record the sanitary operations of the Village, which renders services on a user charge basis to the general public.

Special Purpose Fund - used to account for assets held by the Village in accordance with the terms of a trust agreement.

- b. Fiduciary Funds (not included in Government-wide Financial Statements) - Fiduciary Funds are used to account for assets held by the Village in an agency capacity on behalf of others. The Agency Fund is used to account for employer payroll tax withholdings and various other deposits that are payable to other jurisdictions or individuals.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is 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 provider have been met.

Governmental fund 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

Note 1 - Summary of Significant Accounting Principles (Continued)

they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are recognized as revenues when the expenditure is made. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to retirement incentives and other pension obligations, net pension liability, compensated absences and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Component Unit

The LDC is accounted for on the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. With this measurement focus, all assets and liabilities (whether current or non-current) associated with the operation of these activities are included on the statement of net position. Operating statements present increases (revenues) and decreases (expenses) in net total position. The LDC is accounted for on the accrual basis of accounting, Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Cash and Equivalents, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Village has entered into custodial agreements with the various banks 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.

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The Village follows the provisions of GASB Statement No. 72, "Fair Value Measurements and Application", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be

Note 1 - Summary of Significant Accounting Principles (Continued)

corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Village does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Village's name. The Village's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at May 31, 2017.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Village does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Village's investment policy limits the amount on deposit at each of its banking institutions.

Taxes Receivable - Real property taxes attach as an enforceable lien on real property as of June 1st and are levied and payable in two installments due in June and December. The Village has the responsibility for the billing and collection of its own taxes. The Village also has the responsibility for holding and collecting tax liens.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the Village. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds - During the course of its operations, the Village has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of May 31, 2017, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Inventories - The inventories reflected in the financial statements of the Water Fund represent materials and supplies for general use and are valued at cost on a first-in, first-out basis. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased. The Village uses the consumption method to relieve

Village of Sleepy Hollow, New York

Notes to Financial Statements (Continued)

May 31, 2017

Note 1 - Summary of Significant Accounting Principles (Continued)

inventory. Reported inventories are equally offset by nonspendable fund balance in the fund financial statements, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are reported as prepaid items using the consumption method in both the government wide and fund financial statements. Prepaid expenses/expenditures consist of insurance and other costs which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent year's budget and/or will benefit such periods. Reported amounts in governmental funds are equally offset by nonspendable fund balance in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land, construction-in-progress and development costs are not depreciated. Property, plant, equipment and infrastructure of the Village are depreciated using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Buildings	25-50
Land improvements	20
Infrastructure	20-65
Machinery and equipment	5-15

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheet.

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. In government-wide financial statements, unearned revenues consist of amounts received in advance and/or revenue from grants received before the eligibility requirements have been met.

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Village has reported unearned revenues in the General Fund of \$12,345 for miscellaneous items, \$248,179 in the

Note 1 - Summary of Significant Accounting Principles (Continued)

Capital Projects Fund for contributions from a local developer that are not considered earned until certain project milestones have been met, and \$5,360 for parking permits for the coming fiscal year in the Parking Fund. These amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Village reported deferred outflows of resources of \$136,764 for a deferred loss on refunding bonds in the government-wide Statement of Net Position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The Village reported deferred inflows of resources of \$153,388 for real property taxes in the General Fund. This amount is deferred and recognized as revenue in the period that the amounts become available.

The Village also reported deferred outflows of resources and deferred inflows of resources in relation to its pension obligations. These amounts are detailed in the discussion of the Village's pension plans in Note 3F.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects Fund expenditures.

Net Pension Liability - The net pension liability represents the Village's proportionate share of the net pension liability of the New York State and Local Employees' Retirement System and the New York State Police and Fire Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation of service. The liability for such

Note 1 - Summary of Significant Accounting Principles (Continued)

accumulated leave is reflected in the government-wide Statement of Net Position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Net Position - Net position represent the difference between assets, deferred outflows of resources, liabilities and deferred inflow of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets, restricted for snow removal, debt service, future capital projects and special revenue funds. The balance is classified as unrestricted.

Fund Balances - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables, advances) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law of the State of New York.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The Village Board of Trustees is the highest level of decision making authority for the Village that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Village Board of Trustees removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Village Board of Trustees.

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Village Board of Trustees for amounts assigned for balancing the subsequent year's budget or the Village Treasurer for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Note 1 - Summary of Significant Accounting Principles (Continued)

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Village's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Village's policy to use fund balance in the following order: committed, assigned and unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration. The Village has not implemented an encumbrance system.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. 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 February 5, 2018.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The Village generally follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) On or before March 20th, the budget officer submits to the Board of Trustees a tentative operating budget for the fiscal year commencing the following June 1st. The tentative budget includes the proposed expenditures and the means of financing.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- b) The Board of Trustees, on or before March 31st, meets to discuss and review the tentative budget.
- c) The Board of Trustees conducts a public hearing on the tentative budget to obtain taxpayer comments on or before April 15th.
- d) After the public hearing and on or before May 1st, the Trustees meet to consider and adopt the budget.
- e) Formal budgetary integration is employed during the year as a management control device for General, Water, Parking, Sewer and Sanitation funds.
- f) Budgets for General, Water, Parking, Sewer and Sanitation funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. An annual budget is not legally adopted by the Board for the Special Purpose Fund.
- g) The Village Board has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Trustees. Any modifications to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- h) Appropriations in General, Water, Parking, Sewer and Sanitation funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Board of Trustees.

B. Property Tax Limitation

The Village is permitted by the Constitution of the State of New York to levy taxes up to 2% of the five year average full valuation of taxable real estate located within the Village, exclusive of the amount raised for the payment of interest on and redemption of long-term debt. In accordance with this definition, the maximum amount of the levy for the 2017 fiscal year was \$19,587,423 which exceeded the actual levy by \$7,548,745.

On June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This applies to all local governments.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a Village in a particular year. The original legislation that established the Tax Levy Limitation Law was set to expire on June 16, 2016. Chapter 20 of the Laws of 2015 extends the Tax Levy Limitation Law through June 2020.

The following is a brief summary of certain relevant provisions of the Tax Levy Limitation Law. The summary is not complete and the full text of the Tax Levy Limitation Law should be read in order to understand the details and implementations thereof.

Note 2 - Stewardship, Compliance and Accountability (Continued)

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy, subject to certain exceptions. The Tax Levy Limitation Law permits the Village to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor," which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by (ii) the average of the National Consumer Price Indexes determined by the United States with the result expressed as a decimal to four places. The Village is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the Village, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Village. The Village Board may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Village Board first enacts, by a vote of at least sixty percent of the total voting power of the Village Board, a local law to override such limit for such coming fiscal year.

C. Parking Fund Deficit Unassigned Fund Balance

The Parking Fund ended the year with a deficit unassigned fund balance in the amount of \$1,763. The Village installed a new parking meter system in the current year and anticipated higher revenues than were realized.

D. Capital Projects Fund Deficit

The unassigned deficit of \$2,165,198 in the Capital Projects Fund arises because of the application of generally accepted accounting principles to the financial reporting of such funds. The proceeds of bond anticipation notes issued to finance construction of capital projects are not recognized as an "other financing source". Liabilities for bond anticipation notes payable are accounted for in the Capital Projects Fund. Bond anticipation notes are recognized as revenue only to the extent that they are redeemed. The deficit will be reduced and eliminated as bond anticipation notes are redeemed from interfund transfers from other governmental funds or converted to permanent financing.

E. Expenditures in Excess of Budget

The following functional expenditure categories exceed their budgetary authorization by the amounts indicated:

General Fund – Other Financing Uses – Transfers Out	\$	271,513
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Village of Sleepy Hollow, New York

Notes to Financial Statements (Continued)
May 31, 2017

Note 3 - Detailed Notes on All Funds

A. Taxes Receivable

Taxes receivable at May 31, 2017 consisted of the following:

Taxes Receivable		
Current	\$	259,625
Overdue		64,884
		<u>324,509</u>
Allowance for uncollectible taxes		<u>(171,121)</u>
	\$	<u>153,388</u>

Taxes receivable are offset by deferred tax revenues of \$153,388, which represents an estimate of the receivable which will not be collected within the first sixty days of the subsequent year.

B. Due From/To Other Funds

The balances reflected as due from/to other funds at May 31, 2017 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 3,959,417	\$ 5,134,584
Water	-	2,185,976
Capital Projects	4,409,790	3,643
Non-Major Governmental	372,370	1,417,374
	<u>\$ 8,741,577</u>	<u>\$ 8,741,577</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

C. Capital Assets

Changes in the Village's capital assets are as follows:

	<u>Balance June 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance May 31, 2017</u>
Capital Assets, not being depreciated				
Land	\$ 2,938,414	\$ -	\$ -	\$ 2,938,414
Construction-in-progress	1,232,683	5,820,692	230,785	6,822,590
Total Capital Assets, not being depreciated	<u>\$ 4,171,097</u>	<u>\$ 5,820,692</u>	<u>\$ 230,785</u>	<u>\$ 9,761,004</u>

Village of Sleepy Hollow, New York

Notes to Financial Statements (Continued)
 May 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

	Balance June 1, 2016	Additions	Deletions	Balance May 31, 2017
Capital Assets, being depreciated				
Buildings	\$ 8,701,552	\$ 189,218	\$ -	\$ 8,890,770
Land improvements	5,015,706	294,916	-	5,310,622
Infrastructure	82,817,515	-	-	82,817,515
Machinery and equipment	11,927,789	1,516,735	44,781	13,399,743
Total Capital Assets, being depreciated	108,462,562	2,000,869	44,781	110,418,650
Less Accumulated Depreciation for				
Buildings	3,149,813	182,728	-	3,332,541
Land improvements	2,261,760	254,740	-	2,516,500
Infrastructure	71,092,475	591,781	-	71,684,256
Machinery and equipment	8,219,459	580,389	44,781	8,755,067
Total Accumulated Depreciation	84,723,507	1,609,638	44,781	86,288,364
Total Capital Assets, being depreciated, net	\$ 23,739,055	\$ 391,231	\$ -	\$ 24,130,286
Capital Assets, net	\$ 27,910,152	\$ 6,211,923	\$ 230,785	\$ 33,891,290

Depreciation expense was charged to the Village's functions and programs as follows:

General Government Support	\$ 177,060
Public Safety	804,819
Health	48,289
Transportation	193,157
Culture and Recreation	144,867
Home and Community Services	241,446
Total Depreciation Expense	\$ 1,609,638

Capital Assets – Component Unit

Changes in the Sleepy Hollow Local Development Corporation's capital assets are as follows:

	Balance June 1, 2016	Additions	Deletions	Balance May 31, 2017
Capital Assets, not being depreciated				
Land	\$ 3,000,000	\$ -	\$ 155,440	\$ 2,844,560
Development costs	158,108	600,451	-	758,559
Total Capital Assets, not being depreciated	\$ 3,158,108	\$ 600,451	\$ 155,440	\$ 3,603,119
Capital Assets, being depreciated				
Equipment	\$ -	\$ 73,881	\$ -	\$ 73,881
Less Accumulated Depreciation	-	4,907	-	4,907
Total Capital Assets, being depreciated, net	\$ -	\$ 68,974	\$ -	\$ 68,974
Capital Assets, net	\$ 3,158,108	\$ 669,425	\$ 155,440	\$ 3,672,093

Village of Sleepy Hollow, New York

Notes to Financial Statements (Continued)
 May 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

D. Accrued Liabilities

Accrued liabilities at May 31, 2017 were as follows:

	Fund			Total
	General	Water	Special Districts	
Payroll and Employee Benefits	\$ 688,395	\$ 31,673	\$ 41,164	\$ 761,232

E. Short-Term Capital and Non-Capital Borrowings

The schedule below details the changes in short-term capital and non-capital borrowings.

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance June 1, 2016	New Issues	Redemptions	Balance at May 31, 2017
Capital Borrowings							
Various	11/30/2012	11/22/2017	- %	\$ 590,000	\$ -	\$ 590,000	\$ -
Various	11/26/2013	11/22/2017	1.29	6,411,583	-	5,816,942	594,641
Various	11/24/2014	11/22/2017	1.29	1,244,504	-	119,126	1,125,378
Various	11/23/2015	11/22/2017	1.29	988,277	-	-	988,277
Various	11/22/2016	11/22/2017	1.29	-	288,915	-	288,915
Water Tank (EFC)	06/30/2016	11/26/2018	-	-	3,843,798	-	3,843,798
				<u>\$ 9,234,364</u>	<u>\$ 4,132,713</u>	<u>\$ 6,526,068</u>	<u>\$ 6,841,009</u>
Non-Capital Borrowings							
Judgments and claims	11/26/2013	11/22/2017	1.29 %	\$ 22,063	\$ -	\$ 7,354	\$ 14,709

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund. Bond anticipation notes issued for judgments or settled claims are recorded in the fund paying the claim. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes or judgments be converted to long-term obligations generally within five years after the original issue date. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

Interest expenditures of \$78,981 were recorded in the fund financial statements in the General Fund. Interest expense of \$44,862 was recorded in the government-wide financial statements.

Village of Sleepy Hollow, New York

Notes to Financial Statements (Continued)
 May 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

F. Long-Term Liabilities

The following table summarizes changes in the Village's long-term indebtedness for the year ended May 31, 2017:

	Balance June 1, 2016	New Issues/ Additions	Maturities and/or Payments	Balance May 31, 2017	Due Within One Year
Bonds Payable					
Judgements and claims	\$ 506,350	\$ -	\$ 25,550	\$ 480,800	\$ 25,900
Capital construction	12,243,650	6,973,400	3,849,450	15,367,600	1,092,500
	12,750,000	6,973,400	3,875,000	15,848,400	1,118,400
Plus - Unamortized premium on bonds	54,473	89,607	12,009	132,071	-
	12,804,473	7,063,007	3,887,009	15,980,471	1,118,400
Bond Anticipation Note Payable					
Judgements and claims	77,764	-	77,764	-	-
Capital construction	368,712	-	368,712	-	-
	446,476	-	446,476	-	-
Retirement Incentives and Other					
Pension Obligations	577,736	-	63,825	513,911	66,585
Net Pension Liability	5,638,459	-	1,718,031	3,920,428	-
Compensated Absences	864,183	97,755	86,000	875,938	86,000
Other Post Employment Benefit Obligations Payable	9,490,000	2,280,000	870,000	10,900,000	-
Total Long-Term Liabilities	\$ 29,821,327	\$ 9,440,762	\$ 7,071,341	\$ 32,190,748	\$ 1,270,985

Each governmental fund's liability for bonds, bond anticipation notes, retirement incentives and other pension obligations, net pension liability, compensated absences and other post employment benefit obligations is liquidated by the respective fund.

Bonds Payable

Bonds payable at May 31, 2017 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at May 31, 2017
Various Purposes	2007	\$ 5,326,070	August, 2017	4.00 - 5.00 %	\$ 320,000
Various Purposes	2012	7,875,000	May, 2031	2.25 - 4.00	6,315,000
Refunding	2014	3,325,000	August, 2024	2.00 - 2.50	2,255,000
Refunding	2016	2,775,000	August, 2024	2.00	2,760,000
Various Purposes	2016	4,198,400	August, 2036	2.00 - 3.40	4,198,400
					\$ 15,848,400

Village of Sleepy Hollow, New York

Notes to Financial Statements (Continued)

May 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Interest expenditures of \$353,789 were recorded the fund financial statements in the funds indicated below. Interest expense of \$371,516 was recorded in the government-wide financial statements.

<u>Fund</u>	<u>Amount</u>
General	\$ 271,593
Water	50,945
Parking	7,526
Sewer	<u>23,725</u>
	<u>\$ 353,789</u>

Bond Anticipation Notes Payable

The Village issued a bond anticipation note for \$900,000 on November 30, 2011 for various improvements and judgments and claims. The Village, pursuant to GASB guidance, has not recorded these liabilities in the fund financial statements since it has demonstrated ability to consummate refinancing. The ability to consummate refinancing was evidenced by obtaining permanent financing or a renewal of the notes prior to the issuance of the financial statements. The balance of this note was redeemed in 2017.

Interest expenditures/expenses of \$3,750 were recorded in the fund financial statements in the General Fund and in the government-wide financial statements.

Retirement Incentives and Other Pension Obligations

The State Legislature enacted Chapter 57 of the Laws of 2010. This chapter authorized local governments, at their option, to amortize a portion of their ERS and PFRS contributions beginning in 2014. The maximum amortization amount each year going forward will be determined by the difference between each employer's effective contribution rate as compared to the System's overall graded rate. The amortized amounts are to be paid in equal annual installments over a ten year period, although amounts may be prepaid at any time. Interest will be charged at rates which approximate a market rate of return on taxable fixed rate securities of a comparable duration and will be adjusted annually. The Village elected to amortize the maximum allowable ERS and PFRS contributions in the amount of \$715,756, requiring annual installments of \$88,711. Balances due at May 31, 2017 totaled \$513,911.

Village of Sleepy Hollow, New York

Notes to Financial Statements (Continued)

May 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Payments to Maturity

The annual requirements to amortize all outstanding bonded debt as of May 31, 2017, including interest payments of \$3,649,208 are as follows:

Year Ending May 31,	Bonds Payable		Retirement Incentives and Other Pension Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,118,400	\$ 454,201	\$ 66,585	\$ 22,126	\$ 1,184,985	\$ 476,327
2019	1,175,000	396,455	69,481	19,230	1,244,481	415,685
2020	1,200,000	369,968	72,514	16,197	1,272,514	386,165
2021	1,225,000	342,655	75,697	13,014	1,300,697	355,669
2022	1,260,000	314,155	79,034	9,677	1,339,034	323,832
2023-2027	5,330,000	1,108,478	150,600	8,671	5,480,600	1,117,149
2028-2032	3,235,000	464,822	-	-	3,235,000	464,822
2033-2036	1,305,000	109,560	-	-	1,305,000	109,560
	<u>\$ 15,848,400</u>	<u>\$ 3,560,294</u>	<u>\$ 513,911</u>	<u>\$ 88,915</u>	<u>\$ 16,362,311</u>	<u>\$ 3,649,209</u>

The above general obligation bonds, bond anticipation notes and retirement incentives and other pension obligations are direct obligations of the Village for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the Village.

Advance Partial Refunding

During the current fiscal year, the Village issued \$2,775,000 in serial bonds with an interest rate of 2.0%. The proceeds were used to advance refund \$2,680,000 of the outstanding 2007 Series A public improvement serial bonds bearing interest ranging from 4.0% to 4.125%. The net proceeds of \$2,776,770 (inclusive of a \$89,607 reoffering premium and after payment of \$87,837 in underwriting fees and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2007A serial bonds are considered defeased and the liability for those serial bonds has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$96,770 in governmental activities. These amounts and the premiums are being amortized over the remaining life of the refunded debt. The Village advance refunded the 2007A serial bonds to reduce its total debt service payments over 8 years by \$210,847 and to obtain a net present value economic gain of \$200,087.

Compensated Absences

Pursuant to the terms of existing collective bargaining agreements, certain employees are permitted to accumulate unused sick and personal leave. The maximum accumulation varies with each agreement. Upon termination, employees will be compensated for such accumulated leave at varying amounts according to the terms of each agreement. The value of the compensated absences has been reflected in the government-wide financial statements.

Village of Sleepy Hollow, New York

Notes to Financial Statements (Continued)

May 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Pension Plans

New York State and Local Retirement System

The Village participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS") which are collectively referred to as the New York State and Local Retirement System ("System"). These are cost-sharing, multiple-employer defined benefit pension plans. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2017 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	3 A14	16.0 %
	4 A15	16.0
	5 A15	13.1
	6 A15	9.3
PFRS	2 384D	24.1 %
	3 84D	14.5

At May 31, 2017, the Village reported a liability of \$1,520,023 for its proportionate share of the net pension liability of ERS and a liability of \$2,400,405 for its proportionate share of the net pension liability of PFRS. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. At March 31, 2017, the Village's

Village of Sleepy Hollow, New York

Notes to Financial Statements (Continued)

May 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

proportion was 0.0161770% for ERS and .1158132% for PFRS. For ERS this was an increase of 0.0006153% and for PFRS this was an increase of 0.0097348% from the proportion measured as of March 31, 2016.

For the year ended May 31, 2017, the Village recognized pension expense in the government-wide financial statements, inclusive of retirement incentives and other pension obligations of \$827,566 for ERS and \$1,394,859 for PFRS. Pension expenditures of \$605,105 for ERS and \$1,001,846 for PFRS were recorded in the fund financial statements and were charged to the following funds:

	<u>ERS</u>	<u>PFRS</u>
General Fund	\$ 343,605	\$ 1,001,846
Water	136,500	-
Sanitation	50,000	-
Parking	25,000	-
Sewer	<u>50,000</u>	<u>-</u>
Total	<u>\$ 605,105</u>	<u>\$ 1,001,846</u>

At May 31, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>ERS</u>		<u>PFRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 38,090	\$ 230,824	\$ 314,892	\$ 414,737
Changes of assumptions	519,296	-	1,182,579	-
Net difference between projected and actual earnings on pension plan investments	303,610	-	358,497	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	20,030	116,887	42,672	88,324
Village contributions subsequent to the measurement date	<u>103,414</u>	<u>-</u>	<u>139,625</u>	<u>-</u>
	<u>\$ 984,440</u>	<u>\$ 347,711</u>	<u>\$ 2,038,265</u>	<u>\$ 503,061</u>

The \$103,414 and \$139,625 reported as deferred outflows of resources related to ERS and PFRS, respectively, resulting from the Village's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS and PFRS will be recognized in pension expense as follows:

<u>Year Ended March 31,</u>	<u>ERS</u>	<u>PFRS</u>
2018	\$ 251,326	\$ 458,742
2019	251,326	458,742
2020	244,872	431,986
2021	(214,209)	(17,700)
2022	-	63,809

Village of Sleepy Hollow, New York

Notes to Financial Statements (Continued)
 May 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

The total pension liability for the March 31, 2017 measurement date was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liabilities to March 31, 2017. Significant actuarial assumptions used in the April 1, 2016 valuation were as follows:

Inflation	2.5%
Salary scale	3.8% in ERS, 4.5% in PFRS indexed by service
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation
Cost of living adjustments	1.3% annually

Annuitant mortality rates are based on the April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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 arithmetic real rates of return for each major asset class are summarized below.

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	36 %	4.55 %
International Equity	14	6.35
Private Equity	10	7.75
Real Estate	10	5.80
Absolute Return Strategies	2	4.00
Opportunistic Portfolio	3	5.89
Real Assets	3	5.54
Bonds and Mortgages	17	1.31
Cash	1	-0.25
Inflation Indexed Bonds	4	1.50
	<u>100 %</u>	

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

The discount rate used to calculate the total pension liability was 7.0%. 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 those assumptions, the System’s

Village of Sleepy Hollow, New York

Notes to Financial Statements (Continued)
 May 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

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.

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Village's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Village's proportionate share of the ERS net pension liability (asset)	<u>\$ 4,854,654</u>	<u>\$ 1,520,023</u>	<u>\$ (1,299,400)</u>
Village's proportionate share of the PFRS net pension liability (asset)	<u>\$ 6,805,010</u>	<u>\$ 2,400,405</u>	<u>\$ (1,293,980)</u>

The components of the collective net pension liability as of the March 31, 2017 measurement date were as follows:

	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Total pension liability	\$ 177,400,586,000	\$ 31,670,483,000	\$ 209,071,069,000
Fiduciary net position	<u>168,004,363,000</u>	<u>29,597,831,000</u>	<u>197,602,194,000</u>
Employers' net pension liability	<u>\$ 9,396,223,000</u>	<u>\$ 2,072,652,000</u>	<u>\$ 11,468,875,000</u>
Fiduciary net position as a percentage of total pension liability	<u>94.7%</u>	<u>93.5%</u>	<u>94.5%</u>

Employer contributions to ERS and PFRS are paid annually and cover the period through the end of the System's fiscal year, which is March 31st. Retirement contributions as of May 31, 2017 represent the employer contribution for the period of April 1, 2017 through May 31, 2017 based on prior year ERS and PFRS wages multiplied by the employers' contribution rate, by tier. Retirement contributions to ERS and PFRS for the two months ended May 31, 2017 were \$103,414 and \$139,625, respectively.

Voluntary Defined Contribution Plan

The Village can offer a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending on salary and the Village will contribute 8%. Employer contributions vest after 366 days of service. No current employees participated in this program.

Note 3 - Detailed Notes on All Funds (Continued)

Other Post Employment Benefit Obligations

The Village provides certain health care benefits for retired employees. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Village may vary according to length of service. The cost of providing post employment health care benefits is shared between the Village and the retired employee. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. The cost of retiree health care benefits is recognized as an expenditure as claims are paid within the governmental funds.

The Village's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Village is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis.

The assumed rate of increase in postretirement benefits is as follows:

Year	Assumed Increase
1	9.50 %
2	9.00
3	8.50
4	8.00
5	7.50
6	7.00
7	6.50
8	6.00
9	5.50
10+	5.00

Village of Sleepy Hollow, New York

Notes to Financial Statements (Continued)
 May 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

The amortization basis is the level percentage of payroll method with an open amortization approach. The actuarial assumptions included a 4.5% discount rate. The Village currently has no assets set aside for the purpose of paying postemployment benefits. The actuarial cost method utilized was the projected unit credit method.

The number of participants as of May 31, 2017 was as follows:

Active Employees	62
Retired Employees	<u>52</u>
Total	<u>114</u>

Amortization Component:

Actuarial Accrued Liability as of June 1, 2016	\$ 27,170,000
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 27,170,000</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (active plan members)	<u>\$ 7,520,000</u>
UAAL as a Percentage of Covered Payroll	<u>361.30%</u>
Annual Required Contribution	\$ 2,410,000
Interest on OPEB Obligation	430,000
Adjustment to Annual Required Contribution	<u>(560,000)</u>
Annual OPEB Cost	2,280,000
Contributions Made	<u>(870,000)</u>
Increase in Net OPEB Obligation	1,410,000
Net OPEB Obligation - Beginning of Year	<u>9,490,000</u>
Net OPEB Obligation - End of Year	<u>\$ 10,900,000</u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current year and two preceding years is as follows:

Fiscal Year Ended May 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
2015	\$ 2,070,000	35.26 %	\$ 8,140,000
2016	2,160,000	37.50	9,490,000
2017	2,280,000	38.16	10,900,000

Village of Sleepy Hollow, New York

Notes to Financial Statements (Continued)

May 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial liability for the benefits overtime.

G. Revenues and Expenditures

Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without the equivalent flow of assets in return. The interfund transfers reflected below have been reflected as transfers.

Transfers Out	Transfers In			Total
	General	Capital Projects	Non-Major Governmental	
General	\$ -	\$ 271,513	\$ 210,627	\$ 482,140
Water	809,910	-	-	809,910
Non-Major Governmental	174,510	-	-	174,510
	<u>\$ 984,420</u>	<u>\$ 271,513</u>	<u>\$ 210,627</u>	<u>\$ 1,466,560</u>

Transfers are used to 1) move funds from the Water and non-major governmental funds to fulfill commitments for General Fund expenditures and 2) move funds earmarked in the General Fund to fulfill commitments for non-major governmental funds and Capital Projects Fund expenditures.

H. Net Position

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Snow Removal - the component of net position that reflects funds restricted for snow removal pursuant to General Municipal Law.

Restricted for Debt Service - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by Local Finance Law.

Restricted for Future Capital Projects - the component of net position that reflects funds restricted for use pursuant to the agreement made for development of the land formerly occupied by the General Motors Corporation.

Restricted for Special Revenue Funds - the component of net position that represents funds restricted for specific purposes under New York State law or by external parties and/or statutes.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

Village of Sleepy Hollow, New York

Notes to Financial Statements (Continued)

May 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

I. Fund Balances

	2017					2016				
	General Fund	Water Fund	Capital Projects Fund	Non-Major Governmental Funds	Total	General Fund	Water Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Nonspendable										
Inventories	\$ -	\$ 56,241	\$ -	\$ -	\$ 56,241	\$ -	\$ 56,241	\$ -	\$ -	\$ 56,241
Prepaid expenditures	228,117	18,656	-	18,239	265,012	77,656	5,354	-	4,583	87,593
Total Nonspendable	228,117	74,897	-	18,239	321,253	77,656	61,595	-	4,583	143,834
Restricted										
Snow removal	106,239	-	-	-	106,239	106,133	-	-	-	106,133
Debt service	271,799	-	-	-	271,799	271,527	-	-	-	271,527
Future capital projects	1,734,189	-	-	-	1,734,189	1,727,382	-	-	-	1,727,382
Special purposes	-	-	-	658,985	658,985	-	-	-	658,115	658,115
Total Restricted	2,112,227	-	-	658,985	2,771,212	2,105,042	-	-	658,115	2,763,157
Assigned										
Major funds	-	2,584,155	-	-	2,584,155	-	1,956,364	-	-	1,956,364
Parking	-	-	-	-	-	-	-	-	52,069	52,069
Sewer	-	-	-	647,416	647,416	-	-	-	603,225	603,225
Sanitation	-	-	-	206,511	206,511	-	-	-	45,719	45,719
Tax certiorari	30,211	-	-	-	30,211	30,211	-	-	-	30,211
Total Assigned	30,211	2,584,155	-	853,927	3,468,293	30,211	1,956,364	-	701,013	2,687,588
Unassigned	3,180,068	-	(2,165,198)	(1,763)	1,013,107	2,521,579	-	(1,079,774)	-	1,441,805
Total Fund Balances (Deficits)	\$ 5,550,623	\$ 2,659,052	\$ (2,165,198)	\$ 1,529,388	\$ 7,573,865	\$ 4,734,488	\$ 2,017,959	\$ (1,079,774)	\$ 1,363,711	\$ 7,036,384

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described below. Those additional elements, which are not reflected in the Statement of Net Position but are reported in the governmental funds balance sheet, are described below.

Inventories in the Special Revenue - Water Fund have been classified as nonspendable to indicate that a portion of fund balance is not "available" for expenditure because the asset is in the form of commodities. The Village anticipates utilizing them in the normal course of operations.

Prepaid Expenditures has been established to account for employee retirement and other costs paid in advance. The amount is classified as nonspendable to indicate that these funds are not "available" for appropriation or expenditure even though they are a component of current assets.

Assignments of fund balance are not legally required segregations but represent intended use for a specific purpose. At May 31, 2017, the Village Board has assigned amounts to be appropriated for future court awarded property tax refunds.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted or assigned. Unassigned fund balance in the Capital Projects Fund and the Non-Major Governmental Funds represents a deficit fund balance.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

There are currently pending tax certiorari proceedings, the results of which could require the payment of future tax refunds by the Village if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

Various legal actions are pending and are in process against the Village in the ordinary course of business. It is not possible to state the ultimate liability, if any, in these matters. In management's opinion, the ultimate resolution of these actions if the plaintiffs were to prevail in the litigations would not have a material adverse effect on the financial position of the Village.

Contingencies

The Village participates in various Federal grant programs. These programs may be subject to program compliance audits pursuant to the Single Audit Act. Accordingly, the Village's compliance with applicable grant requirements will be established at a future date. The amount of expenditures, which may be disallowed by the granting agencies cannot be determined at this time, although the Village anticipates such amounts, if any, to be immaterial.

Village of Sleepy Hollow, New York

Notes to Financial Statements (Concluded)

May 31, 2017

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

Risk Management

The Village maintains various liability insurance policies to provide against potential losses. The general liability policy provides coverage up to \$2 million and the Village has an umbrella policy with \$10 million of coverage. In addition, there is a law enforcement liability policy providing coverage of \$2 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage for any of the past three fiscal years. The Village purchases conventional medical and workers' compensation coverage.

Subsequent Events

The Village, on November 21, 2017, issued a Bond anticipation note in the amount of \$5,691,979 bearing interest at 1.32%. The note matures on November 21, 2018 and was issued to refinance \$3,011,920 of currently outstanding notes and provide \$3,046,520 of new money after payment of \$366,461.

Note 5 - Tax Abatements

The Village has real property tax abatement agreements with housing development and redevelopment companies organized pursuant to Article V or Article XI of the Private Housing Finance Law of the State of New York ("PHFL") for the purpose of creating or preserving affordable housing in the Village.

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes ("PILOT") and continue until the property no longer provides the required affordable housing or no longer complies with the requirements of the PHFL.

Copies of the agreements may be obtained from the Village. Information relevant to disclosure of these agreements for the fiscal year ended May 31, 2017 is as follows:

Start Date	Agreement	Taxable Assessed Value (1)	Tax Rate per \$1,000 (1)	Tax Value	PILOT Received	Tax Abatement
05/1/2003	Kendal On Hudson	\$ 18,475,000	\$ 34.3808	\$ 6,351,853	\$ 473,976	\$ 5,877,877
09/1/2008	100 College Ave	6,275,000	34.3808	2,157,395	67,299	2,090,096
12/6/2001	79 College	103,400	34.3808	35,550	1,632	33,918
10/3/2006	124 Valley Street	-	34.3808	-	15,332	(15,332)
09/1/1958	126 Valley Street	-	34.3808	-	12,150	(12,150)
TOTALS				\$ 8,544,798	\$ 570,389	\$ 7,974,409

(1) Taxable Assessed Value and Tax Rate for the 2016-17 Tax Year

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Village of Sleepy Hollow, New York

Required Supplementary Information - Schedule of Funding Progress
 Other Post Employment Benefits
 Last Three Fiscal Years

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
June 1, 2014	\$ -	\$ 24,870,000	\$ 24,870,000	- %	\$ 7,040,000	353.27 %
June 1, 2015	-	25,960,000	25,960,000	-	7,810,000	332.39
June 1, 2016	-	27,170,000	27,170,000	-	7,520,000	361.30

Village of Sleepy Hollow, New York

Required Supplementary Information - Schedule of the
Village's Proportionate Share of the Net Pension Liability
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	<u>2017</u>	<u>2016</u>
Village's proportion of the net pension liability (asset)	<u>0.0161770%</u>	<u>0.0155617%</u>
Village's proportionate share of the net pension liability (asset)	<u>\$ 1,520,023</u>	<u>\$ 2,497,702</u>
Village's covered payroll	<u>\$ 3,931,257</u>	<u>\$ 3,472,830</u>
Village's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>38.67%</u>	<u>71.92%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>94.70%</u>	<u>90.70%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Village of Sleepy Hollow, New York

Required Supplementary Information - Schedule of Contributions
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 563,335	\$ 669,152
Contributions in relation to the contractually required contribution	<u>(563,335)</u>	<u>(669,152)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	<u>\$ 3,942,239</u>	<u>\$ 3,768,404</u>
Contributions as a percentage of covered payroll	<u>14.29%</u>	<u>17.76%</u>

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Village of Sleepy Hollow, New York

Required Supplementary Information - Schedule of the
Village's Proportionate Share of the Net Pension Liability
New York State and Local Police and Fire Retirement System
Last Ten Fiscal Years (1)

	<u>2017</u>	<u>2016</u>
Village's proportion of the net pension liability (asset)	<u>0.1158132%</u>	<u>0.1060784%</u>
Village's proportionate share of the net pension liability (asset)	<u>\$ 2,400,405</u>	<u>\$ 3,140,757</u>
Village's covered payroll	<u>\$ 3,404,859</u>	<u>\$ 3,141,964</u>
Village's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>70.50%</u>	<u>99.96%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>93.50%</u>	<u>90.24%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Village of Sleepy Hollow, New York

Required Supplementary Information - Schedule of Contributions
New York State and Local Police and Fire Retirement System
Last Ten Fiscal Years (1)

	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 958,873	\$ 804,336
Contributions in relation to the contractually required contribution	<u>(958,873)</u>	<u>(804,336)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	<u>\$ 3,315,544</u>	<u>\$ 3,821,773</u>
Contributions as a percentage of covered payroll	<u>28.92%</u>	<u>21.05%</u>

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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Village of Sleepy Hollow, New York

General Fund
 Comparative Balance Sheet
 May 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 7,266,789	\$ 6,193,332
Taxes receivable, net of allowance for uncollected taxes of \$171,121 for 2017 and 2016	<u>153,388</u>	<u>179,577</u>
Other receivables		
Accounts	70,222	103,971
Due from State and Federal governments	13,759	13,759
Due from other governments	308,513	344,633
Due from other funds	<u>3,959,417</u>	<u>2,113,674</u>
	<u>4,351,911</u>	<u>2,576,037</u>
Prepaid expenditures	<u>228,117</u>	<u>77,656</u>
Total Assets	<u>\$ 12,000,205</u>	<u>\$ 9,026,602</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 329,253	\$ 280,379
Accrued liabilities	688,395	658,212
Due to other funds	5,134,584	3,076,709
Due to component unit	116,908	55,848
Unearned revenues	12,345	19,326
Bond anticipation notes payable	<u>14,709</u>	<u>22,063</u>
Total Liabilities	6,296,194	4,112,537
Deferred inflows of resources		
Deferred tax revenues	<u>153,388</u>	<u>179,577</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,449,582</u>	<u>4,292,114</u>
Fund balance		
Nonspendable	228,117	77,656
Restricted	2,112,227	2,105,042
Assigned	30,211	30,211
Unassigned	<u>3,180,068</u>	<u>2,521,579</u>
Total Fund Balance	<u>5,550,623</u>	<u>4,734,488</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 12,000,205</u>	<u>\$ 9,026,602</u>

Village of Sleepy Hollow, New York

General Fund
 Comparative Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Years Ended May 31,

	2017			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 12,038,678	\$ 12,038,678	\$ 12,058,423	\$ 19,745
Other tax items	550,000	550,000	703,980	153,980
Non-property taxes	1,655,000	1,655,000	1,704,351	49,351
Departmental income	569,610	569,610	519,606	(50,004)
Use of money and property	71,000	71,000	101,954	30,954
Licenses and permits	626,500	626,500	626,586	86
Fines and forfeitures	75,000	75,000	72,991	(2,009)
Sale of property and compensation for loss	5,000	5,000	-	(5,000)
State aid	253,806	253,806	302,293	48,487
Federal aid	-	-	-	-
Miscellaneous	13,000	13,000	122,742	109,742
Total Revenues	15,857,594	15,857,594	16,212,926	355,332
EXPENDITURES				
Current				
General government support	2,654,564	2,388,302	2,334,230	54,072
Public safety	4,562,782	4,360,202	4,205,852	154,350
Health	250,200	256,419	228,565	27,854
Transportation	1,223,496	1,296,319	1,279,929	16,390
Economic opportunity and development	103,700	637,034	627,322	9,712
Culture and recreation	1,740,473	1,707,392	1,674,135	33,257
Home and community services	47,010	18,005	17,505	500
Employee benefits	4,431,648	4,250,193	4,218,247	31,946
Debt service				
Principal	1,257,766	1,382,822	1,077,522	305,300
Interest	429,748	404,699	354,324	50,375
Refunding bond issuance costs	-	87,837	87,837	-
Total Expenditures	16,701,387	16,789,224	16,105,468	683,756
Excess (Deficiency) of Revenues Over Expenditures	(843,793)	(931,630)	107,458	1,039,088
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	70,000	70,000	118,560	48,560
Refunding bonds issued	-	2,775,000	2,775,000	-
Issuance premium	-	89,607	89,607	-
Payment to refunding bond escrow agent	-	(2,776,770)	(2,776,770)	-
Transfers in	984,420	984,420	984,420	-
Transfers out	(210,627)	(210,627)	(482,140)	(271,513)
Total Other Financing Sources	843,793	931,630	708,677	(222,953)
Net Change in Fund Balance	-	-	816,135	816,135
FUND BALANCE				
Beginning of Year	-	-	4,734,488	4,734,488
End of Year	\$ -	\$ -	\$ 5,550,623	\$ 5,550,623

See independent auditors' report.

2016

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 11,846,289	\$ 11,846,289	\$ 12,264,499	\$ 418,210
550,000	550,000	806,583	256,583
1,655,000	1,655,000	1,700,666	45,666
489,500	489,500	535,163	45,663
71,000	71,000	103,901	32,901
539,500	539,500	2,172,037	1,632,537
140,000	140,000	54,276	(85,724)
5,000	5,000	30,066	25,066
253,807	253,807	341,056	87,249
-	-	15,623	15,623
12,500	12,500	37,320	24,820
<u>15,562,596</u>	<u>15,562,596</u>	<u>18,061,190</u>	<u>2,498,594</u>
2,703,153	2,383,480	2,341,992	41,488
4,462,070	4,655,767	4,612,692	43,075
237,466	257,792	237,724	20,068
1,171,700	1,188,960	1,181,869	7,091
73,700	234,363	226,305	8,058
1,603,455	1,725,566	1,711,292	14,274
33,400	31,666	26,485	5,181
4,461,400	4,268,750	4,050,654	218,096
1,067,213	1,067,213	1,037,443	29,770
455,954	455,954	415,517	40,437
-	-	-	-
<u>16,269,511</u>	<u>16,269,511</u>	<u>15,841,973</u>	<u>427,538</u>
<u>(706,915)</u>	<u>(706,915)</u>	<u>2,219,217</u>	<u>2,926,132</u>
70,000	70,000	118,580	48,580
-	-	-	-
-	-	-	-
-	-	-	-
1,025,305	1,025,305	1,025,305	-
(388,390)	(388,390)	(388,390)	-
<u>706,915</u>	<u>706,915</u>	<u>755,495</u>	<u>48,580</u>
-	-	2,974,712	2,974,712
-	-	1,759,776	1,759,776
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,734,488</u>	<u>\$ 4,734,488</u>

Village of Sleepy Hollow, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended May 31, 2017

(With Comparative Actuals for 2016)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2016 Actual
REAL PROPERTY TAXES	\$ 12,038,678	\$ 12,038,678	\$ 12,058,423	\$ 19,745	\$ 12,264,499
OTHER TAX ITEMS					
Payments in lieu of taxes	450,000	450,000	570,389	120,389	520,588
Interest and penalties on real property taxes	100,000	100,000	133,591	33,591	285,995
	<u>550,000</u>	<u>550,000</u>	<u>703,980</u>	<u>153,980</u>	<u>806,583</u>
NON-PROPERTY TAXES					
Franchise fees	125,000	125,000	133,211	8,211	150,744
Utilities gross receipts taxes	105,000	105,000	116,220	11,220	113,205
Non-property tax distribution from County	1,425,000	1,425,000	1,454,920	29,920	1,436,717
	<u>1,655,000</u>	<u>1,655,000</u>	<u>1,704,351</u>	<u>49,351</u>	<u>1,700,666</u>
DEPARTMENTAL INCOME					
Tax redemption fees	-	-	-	-	118
Clerk - Treasurer fees	54,300	54,300	70,752	16,452	66,831
Police fees	64,300	64,300	46,217	(18,083)	100,835
Ambulance charges	150,000	150,000	134,587	(15,413)	128,530
Parks and recreation charges	273,800	273,800	246,125	(27,675)	216,360
Zoning Board fees	3,000	3,000	8,250	5,250	2,200
Planning Board fees	19,210	19,210	12,820	(6,390)	19,574
Public works fees	5,000	5,000	855	(4,145)	715
	<u>569,610</u>	<u>569,610</u>	<u>519,606</u>	<u>(50,004)</u>	<u>535,163</u>

USE OF MONEY AND PROPERTY

Earnings on investments	5,000	5,000	24,286	19,286	28,495
Rental of real property	66,000	66,000	77,668	11,668	75,406
	<u>71,000</u>	<u>71,000</u>	<u>101,954</u>	<u>30,954</u>	<u>103,901</u>

LICENSES AND PERMITS

Business and occupational licenses	35,000	35,000	30,000	(5,000)	51,970
Permit fees	591,500	591,500	596,586	5,086	2,120,067
	<u>626,500</u>	<u>626,500</u>	<u>626,586</u>	<u>86</u>	<u>2,172,037</u>

FINES AND FORFEITURES

Fines and forfeited bail	75,000	75,000	72,991	(2,009)	54,276
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**SALE OF PROPERTY AND COMPENSATION
FOR LOSS**

Sale of equipment	5,000	5,000	-	(5,000)	30,066
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STATE AID

Per capita	64,000	64,000	62,105	(1,895)	62,105
Mortgage tax	85,000	85,000	88,215	3,215	138,933
Consolidated Highway Improvement Program	88,684	88,684	126,462	37,778	101,968
Other	16,122	16,122	25,511	9,389	38,050
	<u>253,806</u>	<u>253,806</u>	<u>302,293</u>	<u>48,487</u>	<u>341,056</u>

FEDERAL AID

Emergency Management Agency	-	-	-	-	15,623
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MISCELLANEOUS

Gifts and donations	1,500	1,500	-	(1,500)	25,644
Refund of prior year expenditures	10,000	10,000	(10,840)	(20,840)	775
Other	1,500	1,500	133,582	132,082	10,901
	<u>13,000</u>	<u>13,000</u>	<u>122,742</u>	<u>109,742</u>	<u>37,320</u>

TOTAL REVENUES

	<u>15,857,594</u>	<u>15,857,594</u>	<u>16,212,926</u>	<u>355,332</u>	<u>18,061,190</u>
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Village of Sleepy Hollow, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget (Continued)

Year Ended May 31, 2017

(With Comparative Actuals for 2016)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2016 Actual
OTHER FINANCING SOURCES					
Insurance recoveries	\$ 70,000	\$ 70,000	\$ 118,560	\$ 48,560	\$ 118,580
Refunding bonds issued	-	2,775,000	2,775,000	-	-
Issuance premium	-	89,607	89,607	-	-
Transfers in					
Parking Fund	174,510	174,510	174,510	-	97,900
Sewer Fund	-	-	-	-	45,300
Water Fund	809,910	809,910	809,910	-	882,105
TOTAL OTHER FINANCING SOURCES	<u>1,054,420</u>	<u>3,919,027</u>	<u>3,967,587</u>	<u>48,560</u>	<u>1,143,885</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 16,912,014</u>	<u>\$ 19,776,621</u>	<u>\$ 20,180,513</u>	<u>\$ 403,892</u>	<u>\$ 19,205,075</u>

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See independent auditors' report.

Village of Sleepy Hollow, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended May 31, 2017

(With Comparative Actuals for 2016)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2016 Actual
GENERAL GOVERNMENT SUPPORT					
Board of Trustees	\$ 36,000	\$ 37,825	\$ 37,825	\$ -	\$ 28,500
Justice	176,417	176,417	166,166	10,251	169,273
Mayor	22,500	21,893	18,032	3,861	29,051
Administrator	125,927	153,420	152,093	1,327	137,343
Auditor	42,500	42,500	36,900	5,600	35,750
Treasurer	259,185	246,017	244,150	1,867	204,949
Tax collector	6,500	6,500	1,000	5,500	1,150
Assessor	42,000	42,000	42,000	-	39,000
Village clerk	148,579	148,589	147,978	611	141,792
Law	252,000	249,662	249,662	-	310,591
Engineer	110,000	14,855	14,855	-	45,228
Buildings	247,745	247,747	240,539	7,208	223,414
Central garage	577,998	595,189	583,197	11,992	491,863
Unallocated insurance	239,713	218,678	218,678	-	208,973
Municipal association dues	5,500	5,500	5,136	364	5,136
Judgments and claims	20,000	4,939	4,939	-	91,310
Taxes and assessments	117,000	151,483	145,992	5,491	152,702
Metropolitan commuter transportation mobility tax	25,000	25,088	25,088	-	25,967
Contingent account	200,000	-	-	-	-
	<u>2,654,564</u>	<u>2,388,302</u>	<u>2,334,230</u>	<u>54,072</u>	<u>2,341,992</u>
PUBLIC SAFETY					
Police	3,789,033	3,637,206	3,518,372	118,834	3,939,995
Jail	2,000	2,000	-	2,000	890
Fire Department	241,700	237,703	229,481	8,222	233,250
Control of animals	3,360	3,360	3,360	-	3,360
Safety inspection	526,689	479,933	454,639	25,294	435,197
	<u>4,562,782</u>	<u>4,360,202</u>	<u>4,205,852</u>	<u>154,350</u>	<u>4,612,692</u>

HEALTH

Ambulance	210,200	214,944	189,432	25,512	202,914
Public health	6,000	6,000	5,500	500	-
Registrar of Vital Statistics	34,000	35,475	33,633	1,842	34,810

	<u>250,200</u>	<u>256,419</u>	<u>228,565</u>	<u>27,854</u>	<u>237,724</u>
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TRANSPORTATION

Street administration	28,740	29,643	29,643	-	28,740
Street maintenance	835,256	909,080	909,004	76	932,315
Snow removal	147,000	145,096	145,096	-	105,536
Street lighting	210,000	210,000	195,701	14,299	114,376
Off-street parking	2,500	2,500	485	2,015	902

	<u>1,223,496</u>	<u>1,296,319</u>	<u>1,279,929</u>	<u>16,390</u>	<u>1,181,869</u>
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ECONOMIC OPPORTUNITY AND DEVELOPMENT

Sleepy Hollow Local Development Corporation	-	552,535	552,535	-	169,588
Programs for the aging	103,700	84,499	74,787	9,712	56,717

	<u>103,700</u>	<u>637,034</u>	<u>627,322</u>	<u>9,712</u>	<u>226,305</u>
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CULTURE AND RECREATION

Parks, playgrounds and recreation	689,060	755,095	752,394	2,701	771,256
Youth programs	185,000	104,223	104,155	68	102,546
Library	687,413	687,413	687,412	1	684,117
Celebrations	43,000	35,465	29,465	6,000	28,426
Adult recreation	136,000	125,196	100,709	24,487	124,947

	<u>1,740,473</u>	<u>1,707,392</u>	<u>1,674,135</u>	<u>33,257</u>	<u>1,711,292</u>
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HOME AND COMMUNITY SERVICES

Emergency tenant protection act	5,010	5,010	4,510	500	2,400
Planning	22,000	9,725	9,725	-	6,982
Shade trees	20,000	3,270	3,270	-	17,103

	<u>47,010</u>	<u>18,005</u>	<u>17,505</u>	<u>500</u>	<u>26,485</u>
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EMPLOYEE BENEFITS

State retirement	1,489,148	1,354,565	1,345,451	9,114	1,315,557
Local police welfare fund	73,000	73,025	66,889	6,136	67,975
Social security	475,000	409,519	409,519	-	424,809
Workers' compensation benefits	580,000	554,925	541,622	13,303	537,533
Life insurance	3,500	6,116	5,767	349	9,062
Unemployment benefits	15,000	-	-	-	-
Hospital and medical benefits	1,796,000	1,852,043	1,848,999	3,044	1,695,718

	<u>4,431,648</u>	<u>4,250,193</u>	<u>4,218,247</u>	<u>31,946</u>	<u>4,050,654</u>
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(Continued)

Village of Sleepy Hollow, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)

Year Ended May 31, 2017

(With Comparative Actuals for 2016)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2016 Actual
DEBT SERVICE					
Principal					
Serial bonds	\$ 925,828	\$ 936,346	\$ 936,346	\$ -	\$ 901,563
Bond anticipation notes	331,938	446,476	141,176	305,300	135,880
	<u>1,257,766</u>	<u>1,382,822</u>	<u>1,077,522</u>	<u>305,300</u>	<u>1,037,443</u>
Interest					
Serial bonds	300,474	289,956	271,593	18,363	325,051
Bond anticipation notes	129,274	114,743	82,731	32,012	90,466
	<u>429,748</u>	<u>404,699</u>	<u>354,324</u>	<u>50,375</u>	<u>415,517</u>
Refunding bond issuance costs	-	87,837	87,837	-	-
	<u>1,687,514</u>	<u>1,875,358</u>	<u>1,519,683</u>	<u>355,675</u>	<u>1,452,960</u>
TOTAL EXPENDITURES	<u>16,701,387</u>	<u>16,789,224</u>	<u>16,105,468</u>	<u>683,756</u>	<u>15,841,973</u>
OTHER FINANCING USES					
Payment to refunding bond escrow agent	-	2,776,770	2,776,770	-	-
Transfers out					
Capital Projects Fund	-	-	271,513	(271,513)	188,704
Sanitation Fund	210,627	210,627	210,627	-	199,686
	<u>210,627</u>	<u>2,987,397</u>	<u>3,258,910</u>	<u>(271,513)</u>	<u>388,390</u>
TOTAL OTHER FINANCING USES	<u>210,627</u>	<u>2,987,397</u>	<u>3,258,910</u>	<u>(271,513)</u>	<u>388,390</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 16,912,014</u>	<u>\$ 19,776,621</u>	<u>\$ 19,364,378</u>	<u>\$ 412,243</u>	<u>\$ 16,230,363</u>

See independent auditors' report.

Village of Sleepy Hollow, New York

Water Fund
 Comparative Balance Sheet
 May 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 4,187,293	\$ 2,660,804
Receivables		
Water rents	754,978	935,792
Due from other funds	<u>-</u>	<u>224</u>
	<u>754,978</u>	<u>936,016</u>
Other assets		
Inventories	56,241	56,241
Prepaid expenditures	<u>18,656</u>	<u>5,354</u>
	<u>74,897</u>	<u>61,595</u>
Total Assets	<u><u>\$ 5,017,168</u></u>	<u><u>\$ 3,658,415</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 140,467	\$ 146,803
Accrued liabilities	31,673	31,604
Due to other funds	<u>2,185,976</u>	<u>1,462,049</u>
Total Liabilities	<u>2,358,116</u>	<u>1,640,456</u>
Fund balance		
Nonspendable	74,897	61,595
Assigned	<u>2,584,155</u>	<u>1,956,364</u>
Total Fund Balance	<u>2,659,052</u>	<u>2,017,959</u>
Total Liabilities and Fund Balance	<u><u>\$ 5,017,168</u></u>	<u><u>\$ 3,658,415</u></u>

See independent auditors' report.

Village of Sleepy Hollow, New York

Water Fund

Comparative Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Years Ended May 31,

	2017			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Departmental income	\$ 3,718,000	\$ 3,718,000	\$ 4,072,273	\$ 354,273
EXPENDITURES				
Current				
General government support	96,000	96,000	96,000	-
Home and community services	2,239,306	2,217,030	1,939,738	277,292
Employee benefits	373,500	383,794	382,031	1,763
Debt service				
Principal	149,554	156,790	152,556	4,234
Interest	49,730	54,476	50,945	3,531
Total Expenditures	2,908,090	2,908,090	2,621,270	286,820
Excess of Revenues Over Expenditures	809,910	809,910	1,451,003	641,093
OTHER FINANCING USES				
Transfers out	(809,910)	(809,910)	(809,910)	-
Net Change in Fund Balance	-	-	641,093	641,093
FUND BALANCE				
Beginning of Year	-	-	2,017,959	2,017,959
End of Year	\$ -	\$ -	\$ 2,659,052	\$ 2,659,052

See independent auditors' report.

2016

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 3,518,000	\$ 3,518,000	\$ 3,978,422	\$ 460,422
90,000	95,208	95,208	-
1,972,823	1,961,052	1,723,429	237,623
373,500	373,500	369,876	3,624
145,555	147,022	147,022	-
54,017	59,113	59,113	-
<u>2,635,895</u>	<u>2,635,895</u>	<u>2,394,648</u>	<u>241,247</u>
882,105	882,105	1,583,774	701,669
<u>(882,105)</u>	<u>(882,105)</u>	<u>(882,105)</u>	<u>-</u>
-	-	701,669	701,669
-	-	1,316,290	1,316,290
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,017,959</u>	<u>\$ 2,017,959</u>

Village of Sleepy Hollow, New York

Capital Projects Fund
Comparative Balance Sheet
May 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 369,017	\$ 5,155,230
Due from State and Federal governments	248,179	242,252
Due from other funds	<u>4,409,790</u>	<u>3,304,935</u>
 Total Assets	 <u>\$ 5,026,986</u>	 <u>\$ 8,702,417</u>
 LIABILITIES AND FUND DEFICIT		
Liabilities		
Accounts payable	\$ 99,353	\$ 136,806
Due to other funds	3,643	15,078
Unearned revenues	248,179	395,943
Bond anticipation notes payable	<u>6,841,009</u>	<u>9,234,364</u>
 Total Liabilities	 7,192,184	 9,782,191
 Fund deficit		
Unassigned	<u>(2,165,198)</u>	<u>(1,079,774)</u>
 Total Liabilities and Fund Deficit	 <u>\$ 5,026,986</u>	 <u>\$ 8,702,417</u>

See independent auditors' report.

Village of Sleepy Hollow, New York

Capital Projects Fund
Comparative Statement of Revenues, Expenditures and Changes
in Fund Balance
Years Ended May 31,

	<u>2017</u>	<u>2016</u>
REVENUES		
State aid	\$ 438,644	\$ 52,214
Federal aid	1,837,603	3,521
Miscellaneous	<u>168,874</u>	<u>561,415</u>
Total Revenues	2,445,121	617,150
EXPENDITURES		
Capital outlay	<u>7,695,158</u>	<u>1,399,864</u>
Deficiency of Revenues Over Expenditures	<u>(5,250,037)</u>	<u>(782,714)</u>
OTHER FINANCING SOURCES		
Bonds issued	3,893,100	-
Transfers in	<u>271,513</u>	<u>188,704</u>
Total Other Financing Sources	<u>4,164,613</u>	<u>188,704</u>
Net Change in Fund Balance	(1,085,424)	(594,010)
FUND DEFICIT		
Beginning of Year	<u>(1,079,774)</u>	<u>(485,764)</u>
End of Year	<u>\$ (2,165,198)</u>	<u>\$ (1,079,774)</u>

See independent auditors' report.

Village of Sleepy Hollow, New York

Combining Balance Sheet
 Non-Major Governmental Funds
 May 31, 2017
 (With Comparative Totals for 2016)

	Parking Fund	Sewer Fund	Sanitation Fund
ASSETS			
Cash and equivalents	\$ 1,182,020	\$ 770,548	\$ -
Receivables			
Accounts	17,170	-	210,404
Sewer rents	-	123,806	-
Due from other funds	-	-	372,370
	<u>17,170</u>	<u>123,806</u>	<u>582,774</u>
Prepaid expenditures	<u>1,779</u>	<u>6,940</u>	<u>9,520</u>
Total Assets	<u>\$ 1,200,969</u>	<u>\$ 901,294</u>	<u>\$ 592,294</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,130	\$ 252	\$ 358,914
Accrued liabilities	7,225	16,590	17,349
Due to other funds	1,185,238	230,096	-
Unearned revenues	<u>5,360</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,200,953</u>	<u>246,938</u>	<u>376,263</u>
Fund balances (deficits)			
Nonspendable	1,779	6,940	9,520
Restricted	-	-	-
Assigned	-	647,416	206,511
Unassigned	<u>(1,763)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>16</u>	<u>654,356</u>	<u>216,031</u>
Total Liabilities and Fund Balances	<u>\$ 1,200,969</u>	<u>\$ 901,294</u>	<u>\$ 592,294</u>

See independent auditors' report.

Special Purpose Fund	Total Non-Major Governmental Funds	
	2017	2016
\$ 661,025	\$ 2,613,593	\$ 2,136,185
-	227,574	198,099
-	123,806	155,858
-	372,370	137,451
-	723,750	491,408
-	18,239	4,583
<u>\$ 661,025</u>	<u>\$ 3,355,582</u>	<u>\$ 2,632,176</u>
\$ -	\$ 362,296	\$ 227,796
-	41,164	37,141
2,040	1,417,374	1,002,448
-	5,360	1,080
2,040	1,826,194	1,268,465
-	18,239	4,583
658,985	658,985	658,115
-	853,927	701,013
-	(1,763)	-
658,985	1,529,388	1,363,711
<u>\$ 661,025</u>	<u>\$ 3,355,582</u>	<u>\$ 2,632,176</u>

Village of Sleepy Hollow, New York

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances
Non-Major Governmental Funds
Year Ended May 31, 2017
(With Comparative Totals for 2016)

	Parking Fund	Sewer Fund	Sanitation Fund
REVENUES			
Departmental income	\$ 370,856	\$ 644,627	\$ 588,007
Use of money and property	1,519	-	-
Total Revenues	<u>372,375</u>	<u>644,627</u>	<u>588,007</u>
EXPENDITURES			
Current			
General government support	20,000	25,000	16,000
Transportation	145,014	-	-
Culture and recreation	-	-	-
Home and community services	-	329,499	434,110
Employee benefits	54,952	134,100	180,295
Debt service			
Principal	23,259	82,839	-
Interest	7,526	23,725	-
Total Expenditures	<u>250,751</u>	<u>595,163</u>	<u>630,405</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>121,624</u>	<u>49,464</u>	<u>(42,398)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	210,627
Transfers out	(174,510)	-	-
Total Other Financing Sources (Uses)	<u>(174,510)</u>	<u>-</u>	<u>210,627</u>
Net Change in Fund Balances	(52,886)	49,464	168,229
FUND BALANCES			
Beginning of Year	<u>52,902</u>	<u>604,892</u>	<u>47,802</u>
End of Year	<u>\$ 16</u>	<u>\$ 654,356</u>	<u>\$ 216,031</u>

See independent auditors' report.

Special Purpose Fund	Total Non-Major Governmental Funds	
	2017	2016
\$ -	\$ 1,603,490	\$ 1,520,892
1,370	2,889	2,292
<u>1,370</u>	<u>1,606,379</u>	<u>1,523,184</u>
-	61,000	61,000
-	145,014	156,748
500	500	-
-	763,609	864,348
-	369,347	354,646
-	106,098	101,415
-	31,251	42,611
<u>500</u>	<u>1,476,819</u>	<u>1,580,768</u>
<u>870</u>	<u>129,560</u>	<u>(57,584)</u>
-	210,627	199,686
-	(174,510)	(143,200)
-	36,117	56,486
870	165,677	(1,098)
<u>658,115</u>	<u>1,363,711</u>	<u>1,364,809</u>
<u>\$ 658,985</u>	<u>\$ 1,529,388</u>	<u>\$ 1,363,711</u>

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Village of Sleepy Hollow, New York

Parking Fund
Comparative Balance Sheet
May 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 1,182,020	\$ 778,168
Accounts receivable	17,170	18,590
Prepaid expenditures	<u>1,779</u>	<u>833</u>
Total Assets	<u>\$ 1,200,969</u>	<u>\$ 797,591</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 3,130	\$ 3,622
Accrued liabilities	7,225	5,972
Due to other funds	1,185,238	734,015
Unearned revenues	<u>5,360</u>	<u>1,080</u>
Total Liabilities	<u>1,200,953</u>	<u>744,689</u>
Fund balance (deficits)		
Nonspendable	1,779	833
Assigned	-	52,069
Unassigned	<u>(1,763)</u>	<u>-</u>
Total Fund Balance	<u>16</u>	<u>52,902</u>
Total Liabilities and Fund Balance	<u>\$ 1,200,969</u>	<u>\$ 797,591</u>

See independent auditors' report.

Village of Sleepy Hollow, New York

Parking Fund

Comparative Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Years Ended May 31,

	2017			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Departmental income	\$ 455,000	\$ 455,000	\$ 370,856	\$ (84,144)
Use of money and property	-	-	1,519	1,519
Total Revenues	<u>455,000</u>	<u>455,000</u>	<u>372,375</u>	<u>(82,625)</u>
EXPENDITURES				
Current				
General government support	20,000	20,000	20,000	-
Transportation	165,715	165,715	145,014	20,701
Employee benefits	58,000	58,000	54,952	3,048
Debt service				
Principal	22,057	23,259	23,259	-
Interest	14,718	13,516	7,526	5,990
Total Expenditures	<u>280,490</u>	<u>280,490</u>	<u>250,751</u>	<u>29,739</u>
Excess of Revenues Over Expenditures	174,510	174,510	121,624	(52,886)
OTHER FINANCING USES				
Transfers out	<u>(174,510)</u>	<u>(174,510)</u>	<u>(174,510)</u>	<u>-</u>
Net Change in Fund Balance	-	-	(52,886)	(52,886)
FUND BALANCE				
Beginning of Year	<u>-</u>	<u>-</u>	<u>52,902</u>	<u>52,902</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 16</u>

See independent auditors' report.

2016

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 375,000	\$ 375,000	\$ 331,530	\$ (43,470)
-	-	922	922
<u>375,000</u>	<u>375,000</u>	<u>332,452</u>	<u>(42,548)</u>
20,000	20,000	20,000	-
162,935	162,935	156,748	6,187
57,000	57,000	55,279	1,721
20,949	20,949	20,949	-
16,216	16,216	16,216	-
<u>277,100</u>	<u>277,100</u>	<u>269,192</u>	<u>7,908</u>
97,900	97,900	63,260	(34,640)
<u>(97,900)</u>	<u>(97,900)</u>	<u>(97,900)</u>	<u>-</u>
-	-	(34,640)	(34,640)
-	-	87,542	87,542
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,902</u>	<u>\$ 52,902</u>

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Village of Sleepy Hollow, New York

Sewer Fund
Comparative Balance Sheet
May 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 770,548	\$ 699,190
Sewer rents receivable	123,806	155,858
Prepaid expenditures	<u>6,940</u>	<u>1,667</u>
 Total Assets	 <u>\$ 901,294</u>	 <u>\$ 856,715</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 252	\$ 26
Accrued liabilities	16,590	17,038
Due to other funds	<u>230,096</u>	<u>234,759</u>
 Total Liabilities	 <u>246,938</u>	 <u>251,823</u>
 Fund balance		
Nonspendable	6,940	1,667
Assigned	<u>647,416</u>	<u>603,225</u>
 Total Fund Balance	 <u>654,356</u>	 <u>604,892</u>
 Total Liabilities and Fund Balance	 <u>\$ 901,294</u>	 <u>\$ 856,715</u>

See independent auditors' report.

Village of Sleepy Hollow, New York

Sewer Fund

Comparative Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Years Ended May 31,

	2017			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Departmental income	\$ 619,645	\$ 619,645	\$ 644,627	\$ 24,982
EXPENDITURES				
Current				
General government support	25,000	25,000	25,000	-
Home and community services	331,632	340,278	329,499	10,779
Employee benefits	153,000	144,354	134,100	10,254
Debt service				
Principal	82,560	82,839	82,839	-
Interest	27,453	27,174	23,725	3,449
Total Expenditures	619,645	619,645	595,163	24,482
Excess of Revenues Over Expenditures	-	-	49,464	49,464
OTHER FINANCING USES				
Transfers out	-	-	-	-
Net Change in Fund Balance	-	-	49,464	49,464
FUND BALANCE				
Beginning of Year	-	-	604,892	604,892
End of Year	\$ -	\$ -	\$ 654,356	\$ 654,356

See independent auditors' report.

2016

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 637,000	\$ 637,000	\$ 644,364	\$ 7,364
25,000	25,000	25,000	-
316,372	334,827	362,960	(28,133)
140,000	125,012	125,012	-
80,466	80,466	80,466	-
29,862	26,395	26,395	-
<u>591,700</u>	<u>591,700</u>	<u>619,833</u>	<u>(28,133)</u>
45,300	45,300	24,531	(20,769)
<u>(45,300)</u>	<u>(45,300)</u>	<u>(45,300)</u>	<u>-</u>
-	-	(20,769)	(20,769)
<u>-</u>	<u>-</u>	<u>625,661</u>	<u>625,661</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 604,892</u>	<u>\$ 604,892</u>

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Village of Sleepy Hollow, New York

Sanitation Fund
Comparative Balance Sheet
May 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Receivables		
Accounts	\$ 210,404	\$ 179,509
Due from other funds	<u>372,370</u>	<u>137,451</u>
	582,774	316,960
Prepaid expenditures	<u>9,520</u>	<u>2,083</u>
Total Assets	<u>\$ 592,294</u>	<u>\$ 319,043</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 358,914	\$ 224,148
Accrued liabilities	17,349	14,131
Due to other funds	<u>-</u>	<u>32,962</u>
Total Liabilities	<u>376,263</u>	<u>271,241</u>
Fund balance		
Nonspendable	9,520	2,083
Assigned	<u>206,511</u>	<u>45,719</u>
Total Fund Balance	<u>216,031</u>	<u>47,802</u>
Total Liabilities and Fund Balance	<u>\$ 592,294</u>	<u>\$ 319,043</u>

See independent auditors' report.

Village of Sleepy Hollow, New York

Sanitation Fund
 Comparative Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Years Ended May 31,

	2017			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Departmental income	\$ 522,500	\$ 522,500	\$ 588,007	\$ 65,507
EXPENDITURES				
Current				
General government support	16,000	16,000	16,000	-
Home and community services	534,127	534,127	434,110	100,017
Employee benefits	183,000	183,000	180,295	2,705
Total Expenditures	733,127	733,127	630,405	102,722
Deficiency of Revenues Over Expenditures	(210,627)	(210,627)	(42,398)	168,229
OTHER FINANCING SOURCES				
Transfers in	210,627	210,627	210,627	-
Net Change in Fund Balance	-	-	168,229	168,229
FUND BALANCE (DEFICIT)				
Beginning of Year	-	-	47,802	47,802
End of Year	\$ -	\$ -	\$ 216,031	\$ 216,031

See independent auditors' report.

2016

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 519,000	\$ 519,000	\$ 544,998	\$ 25,998
16,000	16,000	16,000	-
527,686	527,685	501,388	26,297
175,000	175,001	174,355	646
718,686	718,686	691,743	26,943
(199,686)	(199,686)	(146,745)	52,941
199,686	199,686	199,686	-
-	-	52,941	52,941
-	-	(5,139)	(5,139)
\$ -	\$ -	\$ 47,802	\$ 47,802

Village of Sleepy Hollow, New York

Special Purpose Fund
Comparative Balance Sheet
May 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	<u>\$ 661,025</u>	<u>\$ 658,827</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ 2,040	\$ 712
Fund balance		
Restricted	<u>658,985</u>	<u>658,115</u>
Total Liabilities and Fund Balance	<u>\$ 661,025</u>	<u>\$ 658,827</u>

See independent auditors' report.

Village of Sleepy Hollow, New York

Special Purpose Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended May 31,

	<u>2017</u>	<u>2016</u>
REVENUES		
Use of money and property	\$ 1,370	\$ 1,370
EXPENDITURES		
Current		
Culture and recreation	<u>500</u>	<u>-</u>
Excess of Revenues Over Expenditures	870	1,370
FUND BALANCE		
Beginning of Year	<u>658,115</u>	<u>656,745</u>
End of Year	<u><u>\$ 658,985</u></u>	<u><u>\$ 658,115</u></u>

See independent auditors' report.

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**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 Honorable Mayor and Board of Trustees
of the Village of Sleepy Hollow, New York**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Sleepy Hollow, New York ("Village") and for the year ended May 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated February 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 may exist that have not been identified.

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 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

February 5, 2018

**Report on Compliance For Each Major Federal Program and Report
on Internal Control Over Compliance Required by
the Uniform Guidance**

Independent Auditors' Report

**The Honorable Mayor and Board of Trustees
of the Village of Sleepy Hollow, New York**

Report on Compliance for Each Major Federal Program

We have audited the Village of Sleepy Hollow, New York's ("Village") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended May 31, 2017. The Village's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Village's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on Each Major Federal Program

In our opinion, the Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2017.

Report on Internal Control Over Compliance

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

February 5, 2018

Village of Sleepy Hollow, New York

Schedule of Expenditures of Federal Awards
Year Ended May 31, 2017

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Sub- recipients</u>	<u>Federal Program Expenditures</u>
<u>U.S. Environmental Protection Agency</u>				
Indirect Program - Passed through New York State Department of Health:				
Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water	66.483	18150-75	\$ -	\$ 1,313,721
<u>U.S. Department of Transportation</u>				
Indirect Program - Passed through New York State Department of Transportation:				
Highway Planning and Construction	20.205	8780.27	-	361,132
<u>U.S. Department of Housing and Urban Development</u>				
Indirect Program - Passed through New York State Office of Community Renewal:				
Community Development Block Grants/State's Program	14.228	1538WC-PF229-15	-	62,292
<u>U.S. Department of Homeland Security</u>				
Indirect Program - Passed through New York State Office of Emergency Management:				
Disaster Grants - Public Assistance	97.036	02-4085-02770	-	100,458
Total			\$ -	\$ 1,837,603

(1) Catalog of Federal Domestic Assistance number.
N/A - Information

The accompanying notes are an integral part of this financial statement.

Village of Sleepy Hollow, New York

Notes to Schedule of Expenditures of Federal Awards
Year Ended May 31, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Village of Sleepy Hollow, New York ("Village") under programs of the federal government for the year ended May 31, 2017. Federal awards received directly from the Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("*Uniform Guidance*"). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position or cash flows of the Village.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Village has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Pass-through identifying numbers are presented where available.

Village of Sleepy Hollow, New York

Summary Schedule of Prior Audit Findings
Year ended May 31, 2017

None

Village of Sleepy Hollow, New York

Schedule of Findings and Questioned Costs
May 31, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes No
 Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes No
 Yes None reported

Type of auditors' report issued on compliance for major federal programs

Unmodified

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

Yes No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

66.483

Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water

Dollar threshold used to distinguish between Type A and Type B programs:
Auditee qualified as low-risk auditee?

\$750,000
 Yes No

Village of Sleepy Hollow, New York

Schedule of Findings and Questioned Costs (Concluded)

May 31, 2017

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

None