

**SLEEPY HOLLOW LOCAL  
DEVELOPMENT CORPORATION**

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

Basic Financial Statements,  
Supplementary Information and  
Independent Auditors' Report

May 31, 2022 and 2021

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York)

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Sleepy Hollow Local Development Corporation:

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of the Sleepy Hollow Local Development Corporation (the LDC), a component unit of the Village of Sleepy Hollow, New York, as of and for the years ended May 31, 2022 and 2021, and the related notes to financial statements, which collectively comprise the LDC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the LDC, as of May 31, 2022 and 2021, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### Basis for Opinion

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

#### Emphasis of Matter

As discussed in note 2(1) to the financial statements, the LDC adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87 - "Leases," during the year ended May 31, 2022. Our opinions are not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the LDC's ability to continue as a going concern within one year after the date that the financial statements are available.

### Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 LDC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the LDC's ability to continue as a going concern for a reasonable period of time.

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

### Required Supplementary Information

GAAP requires that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB 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 GAAP, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2022 on our consideration of the LDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the LDC'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 LDC's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York  
December 12, 2022

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York)

Management's Discussion and Analysis

May 31, 2022 and 2021

The following management's discussion and analysis (MD&A) provides a comprehensive overview of the financial position of Sleepy Hollow Local Development Corporation (the LDC) at May 31, 2022 and 2021, and the results of its operations for the years then ended. The financial statements and related note disclosures, along with this MD&A, have been prepared in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB) for state and local governments. This MD&A should be read in conjunction with the audited financial statements and accompanying notes to financial statements, which directly follow the MD&A.

**COMPLIANCE AND ACCOUNTABILITY**

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

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

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual financial report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The LDC was created by the Village on September 18, 2014 as a local development corporation. The LDC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities of the LDC. These statements are presented in a manner similar to a private business.

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York)

Management's Discussion and Analysis, Continued

**FINANCIAL ANALYSIS OF THE LDC'S NET POSITION**

The following is a summary of the LDC's Statements of Net Position at May 31, 2022 and 2021 and the percentage change between May 31, 2022 and 2021:

	<u>2022</u>	<u>2021*</u>	<u>% Change</u>
Current assets	\$ 21,848,113	24,951,009	-12%
Lease receivable, net	33,018,459	33,288,003	-1%
Capital assets, net	<u>19,189,859</u>	<u>16,530,108</u>	16%
Total assets	<u>74,056,431</u>	<u>74,769,120</u>	-1%
Liabilities	<u>35,335,427</u>	<u>35,482,222</u>	-1%
Deferred inflows of resources	<u>33,288,003</u>	<u>33,561,016</u>	-1%
Net investment in capital assets	4,728,572	4,134,052	14%
Restricted expendable	359,539	1,158,208	-69%
Unrestricted	<u>344,890</u>	<u>433,622</u>	-20%
Total net position	\$ <u>5,433,001</u>	<u>5,725,882</u>	-5%

\* Restated as discussed in note 2(l).

On the LDC's Statement of Net Position at May 31, 2022, total assets of \$74,056,431, exceeded total liabilities of \$35,335,427 and total deferred inflows of resources of \$33,288,003 by \$5,433,001 (total net position). Total assets are comprised of capital assets (e.g., land and equipment) totaling \$19,189,859, cash totaling \$21,551,111, lease receivable of \$33,288,003 and other assets of \$27,458. Liabilities are comprised of accounts payable and accrued expenses of \$425,427 and \$34,910,000 of bonds payable for the East Parcel development project. Deferred inflows of resources are related to the lease receivable. Of total net position, \$334,890 is available for ongoing operational expenses.

The following is a summary of the LDC's Statements of Net Position at May 31, 2021 and 2020 and the percentage change between May 31, 2021 and 2020:

	<u>2021*</u>	<u>2020*</u>	<u>% Change</u>
Current assets	\$ 24,951,009	1,965,428	1,169%
Lease receivable, net	33,288,003	11,162,097	198%
Capital assets, net	<u>16,530,108</u>	<u>13,565,095</u>	22%
Total assets	<u>74,769,120</u>	<u>26,692,620</u>	180%

\* Restated as discussed in note 2(l).

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York)

Management's Discussion and Analysis, Continued

	<u>2021*</u>	<u>2020*</u>	<u>% Change</u>
Liabilities	\$ <u>35,482,222</u>	<u>10,543,018</u>	237%
Deferred inflows of resources	<u>33,561,016</u>	<u>11,162,097</u>	201%
Net investment in capital assets	4,134,052	4,280,394	-3%
Restricted expendable	1,158,208	619,375	87%
Unrestricted	<u>433,622</u>	<u>87,736</u>	394%
Total net position	\$ <u>5,725,882</u>	<u>4,987,505</u>	15%

\* Restated as discussed in note 2(l).

On the LDC's Statement of Net Position at May 31, 2021, total assets of \$74,769,120, exceeded total liabilities of \$35,482,222 and deferred inflows of resources of \$33,561,016 by \$5,725,882 (total net position). Total assets are comprised of capital assets (e.g., land and equipment) totaling \$16,530,108, cash totaling \$24,637,718, lease receivable of \$33,561,016 and other assets of \$40,278. Liabilities are comprised of accounts payable and accrued expenses of \$482,222 and \$35,000,000 of bonds payable for the East Parcel development project. Of total net position, \$433,622 is available for ongoing operational expenses.

### OPERATING ACTIVITIES

The LDC's Statements of Activities are used to report changes in the net position, including depreciation expense. Revenue reported here is based on a standard of recognition whereby revenue is recorded when earned. Revenue is detailed by major source and expenses by natural classification and indicate the change in net position.

The LDC's total revenue for the year ended May 31, 2022 was \$ 1,014,545, which was a decrease of \$1,003,380, or 50%, from the year ended May 31, 2021. This was mainly due to \$1,580,000 received from the Village in the prior year as an equity contribution required per the Consolidated Funding Application with Empire State Development.

The LDC's total revenue for the year ended May 31, 2021 was \$2,017,925, which was an increase of \$1,581,277, or 362%, over the year ended May 31, 2020. This was mainly due to \$1,580,000 received from the Village as an equity contribution required per the Consolidated Funding Application with Empire State Development.

The LDC's total expenses for the year ended May 31, 2022 were \$1,307,426, which was an increase of \$27,878, or 2%, over the year ended May 31, 2021, which was largely due to an increase in interest expense of \$279,777 offset by having no bond issuance costs.

The LDC's total expenses for the year ended May 31, 2021 were \$1,279,548, which was an increase of \$531,075, or 71%, over the year ended May 31, 2020, which was largely due to increases in bond issuance costs of \$222,454 and interest expense of \$379,392.

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York)  
Management's Discussion and Analysis, Continued

The following summarizes the LDC's change in net position for the fiscal years ended May 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Revenue:			
License fees	\$ 609,181	436,283	40%
Lease income	273,013	-	100%
Rental income	-	1,200	-100%
Interest income	126,362	-	100%
Transfer from Village	-	1,580,000	-100%
Other revenue	<u>5,989</u>	<u>442</u>	1,255%
Total revenue	<u>1,014,545</u>	<u>2,017,925</u>	-50%
Expenses:			
Professional fees	108,566	94,499	15%
Legal fees	36,647	46,678	-21%
Insurance	10,850	10,850	0%
Payroll expense	26,457	55,518	-52%
Utilities	4,407	4,194	5%
Advertising and promotion	-	1,870	-100%
Real property taxes	3,494	3,124	12%
General and administrative	2,918	2,698	8%
Depreciation	6,043	9,396	-36%
Interest expense	1,108,044	828,267	34%
Bond issuance costs	<u>-</u>	<u>222,454</u>	-100%
Total expenses	<u>1,307,426</u>	<u>1,279,548</u>	2%
Change in net position	\$ <u>(292,881)</u>	<u>738,377</u>	-140%

The following summarizes the LDC's change in net position for the fiscal years ended May 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>% Change</u>
Revenue:			
License fees	\$ 436,283	432,437	1%
Rental income	1,200	4,000	-70%
Transfer from Village	1,580,000	-	100%
Other revenue	<u>442</u>	<u>211</u>	109%
Total revenue	<u>2,017,925</u>	<u>436,648</u>	362%

**SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION**  
(A Component Unit of the Village of Sleepy Hollow, New York)

Management's Discussion and Analysis, Continued

	<u>2021</u>	<u>2020</u>	<u>% Change</u>
Expenses:			
Professional fees	\$ 94,499	124,105	-24%
Legal fees	46,678	47,237	-1%
Insurance	10,850	10,850	0%
Payroll expense	55,518	75,766	-27%
Utilities	4,194	4,465	-6%
Advertising and promotion	1,870	17,625	-89%
Real property taxes	3,124	3,162	-1%
General and administrative	2,698	6,992	-61%
Depreciation	9,396	9,396	0%
Interest expense	828,267	448,875	85%
Bond issuance costs	<u>222,454</u>	<u>-</u>	100%
Total expenses	<u>1,279,548</u>	<u>748,473</u>	71%
Change in net position	\$ <u>738,377</u>	<u>(311,825)</u>	337%

**CAPITAL ASSETS**

The following summarizes the LDC's capital assets at May 31, 2022 and 2021 and the percentage change between fiscal years:

	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Land	\$ 2,924,694	2,924,694	0%
Developmental costs	15,358,486	12,715,011	12%
Buildings and improvements	881,332	859,013	3%
Equipment	<u>73,881</u>	<u>73,881</u>	0%
Total capital assets	19,238,393	16,572,599	16%
Less accumulated depreciation	<u>(48,534)</u>	<u>(42,491)</u>	14%
Net capital assets	\$ <u>19,189,859</u>	<u>16,530,108</u>	16%

The net capital assets of \$19,189,859 presented in the basic financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The net increase of \$2,659,751 from the prior year is comprised of the addition of new capital assets of \$2,665,794 offset by an increase in accumulated depreciation of \$6,043. A more detailed analysis of the LDC's capital assets is presented in note 4.

**SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION**  
(A Component Unit of the Village of Sleepy Hollow, New York)  
Management's Discussion and Analysis, Continued

The following summarizes the LDC's capital assets at May 31, 2021 and 2020 and the percentage change between fiscal years:

	<u>2021</u>	<u>2020</u>	<u>% Change</u>
Land	\$ 2,924,694	2,924,694	0%
Developmental costs	12,715,011	9,757,115	30%
Buildings and improvements	859,013	842,500	2%
Equipment	<u>73,881</u>	<u>73,881</u>	0%
Total capital assets	16,572,599	13,598,190	22%
Less accumulated depreciation	<u>(42,491)</u>	<u>(33,095)</u>	28%
Net capital assets	\$ <u>16,530,108</u>	<u>13,565,095</u>	22%

The net capital assets of \$16,530,108 presented in the basic financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The net increase of \$2,965,013 from the prior year is comprised of the addition of new capital assets of \$2,974,409 offset by an increase in accumulated depreciation of \$9,396. A more detailed analysis of the LDC's capital assets is presented in note 4.

**LONG-TERM DEBT**

Long-term debt at May 31, 2022 is comprised of tax-exempt revenue bonds of \$34,910,000 related to East Parcel Redevelopment Project - Phase Two. A more detailed analysis of the LDC's debt is presented in note 5.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the LDC's finances for all those with an interest in the LDC's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chief Financial Officer, Sleepy Hollow Local Development Corporation, 28 Beekman Avenue, Sleepy Hollow, New York 10591.

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York)

Statements of Net Position

May 31, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and equivalents	\$ 327,872	394,611
Restricted cash:		
Cash held in escrow for project costs	20,470,239	22,705,732
Cash held in escrow for bond interest	<u>753,000</u>	<u>1,537,375</u>
Total cash	21,551,111	24,637,718
Lease receivable	269,544	273,013
Prepaid expenses	27,323	40,143
Deposit	<u>135</u>	<u>135</u>
Total current assets	21,848,113	24,951,009
Lease receivable, net of current portion	33,018,459	33,288,003
Capital assets, net of depreciation	<u>19,189,859</u>	<u>16,530,108</u>
Total assets	<u>74,056,431</u>	<u>74,769,120</u>
 <u>Liabilities</u> 		
Current liabilities:		
Accounts payable and accrued expenses	425,427	482,222
Bonds payable within one year	<u>100,000</u>	<u>90,000</u>
Total current liabilities	525,427	572,222
Noncurrent liabilities - bonds payable after one year	<u>34,810,000</u>	<u>34,910,000</u>
Total liabilities	<u>35,335,427</u>	<u>35,482,222</u>
 <u>Deferred Inflows of Resources</u> 		
Lease	<u>33,288,003</u>	<u>33,561,016</u>
 <u>Net Position</u> 		
Net investment in capital assets	4,728,572	4,134,052
Restricted expendable	359,539	1,158,208
Unrestricted	<u>344,890</u>	<u>433,622</u>
Total net position	<u>\$ 5,433,001</u>	<u>5,725,882</u>

See accompanying notes to financial statements.

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York)

Statements of Activities

Years ended May 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue:		
License fees	\$ 609,181	436,283
Lease income	273,013	-
Rental income	-	1,200
Interest income	126,362	-
Transfer from Village	-	1,580,000
Other revenue	<u>5,989</u>	<u>442</u>
Total revenue	<u>1,014,545</u>	<u>2,017,925</u>
Expenses:		
Professional fees	108,566	94,499
Legal fees	36,647	46,678
Insurance	10,850	10,850
Payroll expense	26,457	55,518
Utilities	4,407	4,194
Advertising and promotion	-	1,870
Real property taxes	3,494	3,124
General and administrative	2,918	2,698
Depreciation	6,043	9,396
Interest expense	1,108,044	828,267
Bond issuance costs	<u>-</u>	<u>222,454</u>
Total expenses	<u>1,307,426</u>	<u>1,279,548</u>
Change in net position	(292,881)	738,377
Net position at beginning of year	<u>5,725,882</u>	<u>4,987,505</u>
Net position at end of year	<u><u>\$ 5,433,001</u></u>	<u><u>5,725,882</u></u>

See accompanying notes to financial statements.

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York)

Statements of Cash Flows

Years ended May 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash receipts from operating activities	\$ 1,014,545	2,030,746
Cash paid for operating activities	<u>(171,346)</u>	<u>(224,890)</u>
Net cash provided by operating activities	<u>843,199</u>	<u>1,805,856</u>
Cash flows used in investing activities - additions to capital assets	<u>(2,746,056)</u>	<u>(3,450,583)</u>
Cash flows from financing activities:		
Proceed from issuance of debt	-	35,000,000
Principal payments on debt	(90,000)	(9,950,000)
Interest payments on debt	(1,093,750)	(449,100)
Debt issuance costs	<u>-</u>	<u>(222,454)</u>
Net cash provided by (used in) investing activities	<u>(1,183,750)</u>	<u>24,378,446</u>
Net change in cash	(3,086,607)	22,733,719
Cash at beginning of year	<u>24,637,718</u>	<u>1,903,999</u>
Cash at end of year	<u>\$21,551,111</u>	<u>24,637,718</u>
Reconciliation of changes in net position to net cash provided by operating activities:		
Change in net position	\$ (292,881)	738,377
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	6,043	9,396
Interest expense	1,108,044	828,267
Bond issuance costs	-	222,454
Changes in:		
Lease receivable	273,013	-
Due from Village	-	12,821
Prepaid expenses	12,820	8,330
Accounts payable and accrued expenses	9,173	(13,789)
Deferred inflows of resources	<u>(273,013)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 843,199</u>	<u>1,805,856</u>
Supplemental schedule of non-cash investing activities - capital assets financed by accounts payable	<u>\$ 21,526</u>	<u>101,788</u>

See accompanying notes to financial statements.

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York)

Notes to Financial Statements

May 31, 2022 and 2021

(1) Organization and Purpose

The Sleepy Hollow Local Development Corporation (the LDC), a component unit of the Village of Sleepy Hollow, New York (the Village), 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 sole member (the Village) and therefore, the Village is considered able to impose its will on the LDC.

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

(2) Summary of Significant Accounting Policies

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

(a) Basis of Accounting

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

(b) Cash and Equivalents

Cash and equivalents consist of funds deposited in demand deposit accounts. Collateral is required for these deposits at 100% of all deposits not covered by Federal Deposit Insurance Corporation (FDIC) deposit insurance. At May 31, 2022 and 2021, deposits over FDIC coverage were fully collateralized. Cash in escrow accounts are fully collateralized by agreement with the Trustee.

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(c) Receivables and Bad Debt

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

(d) Prepaid Expenses

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

(e) Deposit

The LDC has a deposit for utilities related to 193 Beekman Avenue.

(f) Capital Assets

Capital assets are stated at cost at the date of acquisition or at fair value at the date of contribution, if donated. Depreciation is computed using the straight line method over the estimated useful life of the asset. The estimated useful life of equipment is 5 to 15 years. Land and development costs are not being depreciated.

(g) Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The LDC has one item that qualifies for reporting in this category which is the net present value of lease payments expected to be received during the lease term.

(h) Net Position

The LDC's resources are classified into the following net position categories:

Net investment in capital assets - Capital assets, net of accumulated depreciation, restricted cash held in escrow for project costs, and outstanding principal balances of debt, if any, attributable to the acquisition, construction, or improvement of those assets.

Restricted - non-expendable - Net position subject to externally imposed stipulations requiring the LDC to maintain them in perpetuity. At May 31, 2022 and 2021, the LDC had no restricted non-expendable net position.

Restricted - expendable - Net position whose use is subject to externally imposed stipulations that can be fulfilled by the actions of the LDC or the passage of time. Restricted cash held in escrow for bond interest, less accrued unpaid interest, is included in this category.

Unrestricted - All other net position, including net position designated by actions, if any, of the LDC's Board of Directors.

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(i) Revenue Recognition

Revenues are recognized in the period earned. Revenues collected prior to year-end, if any, relating to the subsequent year, are recorded as unearned revenue.

(j) Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Subsequent Events

The LDC has evaluated events through the date of this report, which is the date the financial statements were available for issuance, and have determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

(l) Adoption of Accounting Principle

During the year ended May 31, 2022, the LDC adopted provisions of GASB Statement No. 87 - "Leases." The primary object of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. See note 8 to the financial statements for the impact of the implementation on the financial statements.

(3) Lease Receivable

The LDC leases property and facilities commonly referred to as the East Parcel to the Village, which terminates on December 31, 2041. Lease revenue recognized during the year ended June 30, 2022 was \$273,013. Lease interest recognized during the year ended June 30, 2022 was \$126,362.

Lease payments from the Village are amounts sufficient to pay the principal and interest of the LDC's Series 2020 tax-exempt revenue bonds as of each payment date with credit for amounts held in escrow for bond interest. Future minimum lease payments are as follows:

<u>Year ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$	269,544	124,756	394,300
2024		1,504,201	696,210	2,200,411
2025		1,480,491	685,237	2,165,728
2026		1,456,782	674,262	2,131,044
2027		1,433,072	663,289	2,096,361
2028 - 2032		6,809,719	3,151,837	9,961,556
2033 - 2037		6,216,981	2,877,491	9,094,472
2038 - 2041		<u>14,117,213</u>	<u>6,534,065</u>	<u>20,651,278</u>
	\$	<u>33,288,003</u>	<u>15,407,147</u>	<u>48,695,150</u>

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York),  
Notes to Financial Statements, Continued

(3) Lease Receivable, Continued

In the event that, during any fiscal period of the Village, sufficient funds are not appropriated by the Village’s governing body for the payment of all or a portion of the amounts due under the lease agreement (an “Event of Nonappropriation”), then the Village may terminate the lease agreement as of the end of its then-current fiscal period and shall not be obligated to pay any amounts due with respect to its leasing of the property beyond the end of such fiscal period. The Village agrees to give the LDC and the Bondholder written notice of an Event of Nonappropriation at least 45 days prior to the end of the then-current fiscal period, or, if an Event of Nonappropriation has not occurred by that date, immediately upon such non-appropriation.

The Village shall have the option to terminate the lease agreement in whole, but not in part, on any scheduled lease payment date prior to the conclusion of the lease term hereof upon not less than 45 days’ written notice to the LDC and the Bondholder and by paying the amount equal to all lease and any other amounts then due or past due hereunder, including the lease payment due on the repayment date, and the applicable “Prepayment Price” set forth in lease agreement, which amounts will be paid to the Bondholder for the account of LDC to pay the principal amount of the outstanding bonds, interest thereon to the date of redemption of the bonds and any premium due on the bonds and an amount sufficient to pay all unpaid fees and expenses of the Bondholder.

(4) Capital Assets

At May 31, 2022 and 2021, capital assets consisted of the following:

	<u>2022</u>			
	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,924,694	-	-	2,924,694
Development costs	12,715,011	2,643,475	-	15,358,486
Building and improvements	<u>859,013</u>	<u>22,319</u>	<u>-</u>	<u>881,332</u>
Total capital assets, not being depreciated	<u>16,498,718</u>	<u>2,665,794</u>	<u>-</u>	<u>19,164,512</u>

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York)

Notes to Financial Statements, Continued

(4) Capital Assets, Continued

	2022			
	Beginning Balance	Additions	Dispositions	Ending Balance
Capital assets being depreciated - equipment	\$ 73,881	-	-	73,881
Less accumulated depreciation	<u>(42,491)</u>	<u>(6,043)</u>	<u>-</u>	<u>(48,534)</u>
Total capital assets being depreciated, net	<u>31,390</u>	<u>(6,043)</u>	<u>-</u>	<u>25,347</u>
Capital assets, net	<u>\$ 16,530,108</u>	<u>2,659,751</u>	<u>-</u>	<u>19,189,859</u>
	2021			
	Beginning Balance	Additions	Dispositions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,924,694	-	-	2,924,694
Development costs	9,757,115	2,957,896	-	12,715,011
Building and improvements	<u>842,500</u>	<u>16,513</u>	<u>-</u>	<u>859,013</u>
Total capital assets, not being depreciated	<u>13,524,309</u>	<u>2,974,409</u>	<u>-</u>	<u>16,498,718</u>
Capital assets being depreciated - equipment	73,881	-	-	73,881
Less accumulated depreciation	<u>(33,095)</u>	<u>(9,396)</u>	<u>-</u>	<u>(42,491)</u>
Total capital assets being depreciated, net	<u>40,786</u>	<u>(9,396)</u>	<u>-</u>	<u>31,390</u>
Capital assets, net	<u>\$ 13,565,095</u>	<u>2,965,013</u>	<u>-</u>	<u>16,530,108</u>

(5) Bonds Payable

Bonds payable as of May 31, 2022 and 2021 are as follows

	2022	2021
Tax-exempt revenue bonds (Village of Sleepy Hollow East Parcel Redevelopment Project Phase II), Series 2020 dated December 30, 2020 in the amount of \$35,000,000 with an interest rate of 3% and maturity date of January 15, 2041.	\$ 34,910,000	35,000,000
Less amounts due within one year	<u>(100,000)</u>	<u>(90,000)</u>
Bonds payable after one year	<u>\$ 34,810,000</u>	<u>34,910,000</u>

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York)

Notes to Financial Statements, Continued

(5) Bonds Payable, Continued

The following is a summary of the maturity of bonds payable as of May 31, 2022:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 100,000	1,047,300	1,147,300
2024	1,156,111	1,044,300	2,200,411
2025	1,156,111	1,009,617	2,165,728
2026	1,156,111	974,933	2,131,044
2027	1,156,111	940,250	2,096,361
2028-2032	5,780,556	4,181,000	9,961,556
2033-2037	5,780,556	3,313,917	9,094,473
2038-2041	<u>18,624,444</u>	<u>2,026,833</u>	<u>20,651,277</u>
	\$ <u>34,910,000</u>	<u>14,538,150</u>	<u>49,448,150</u>

The bonds are secured by a mortgage and security agreement granting the bond holder a first lien mortgage and security interest on the project, and also by the assignment of leases and rents which assigned to the bond holder a first priority lien in the leases relating to the rents from the project.

In the event of default, the bondholder may take, to the extent permitted by law, any one or more of the following remedial steps: (i) terminate its obligation to disburse the monies in the project fund and/or to advance monies under the building loan agreement and the escrow agreement, (ii) declare the prepayment price on the bonds to be forthwith due and payable, (iii) apply any monies held in the project fund, capitalized interest account, or any other account or fund hereunder (except for the rebate fund) to the prepayment price, (iv) exercise any one or more of the remedies provided in the mortgage or any other security document, (v) exercise any other remedy available at law or in equity, including, without limitation, the right to seek an action in the nature of mandamus or specific enforcement/performance.

(6) Risk Management

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

The LDC is exposed to various risk of loss related to litigation. Management of the LDC and its attorney's believe that the final settlement of these matters will not have an adverse effect on the financial condition of the LDC.

SLEEPY HOLLOW LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of the Village of Sleepy Hollow, New York)

Notes to Financial Statements, Continued

(7) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences on a national, regional and local level are unknown, but have the potential to result in a significant economic impact. The impact of this situation on the LDC and its future results and financial position is not presently determinable.

(8) Cumulative Effect of Accounting Principle

For the year ended May 31, 2022, the LDC implemented GASB Statement No. 87 - "Leases." The implementation of this Statement resulted in reporting certain expenses as capital lease obligations as well as right-to-use assets net of accumulated amortization. The LDC's net position at May 31, 2021 has been restated as follows:

Net position at beginning of year, as previously stated		\$ 5,725,882
GASB Statement No. 87 implementation:		
Lease receivable	\$ 33,561,016	
Deferred inflows of resources	<u>(33,561,016)</u>	<u>          -</u>
Net position at beginning of year, as restated		\$ <u>5,725,882</u>

INDEPENDENT AUDITORS' 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

The Board of Directors  
Sleepy Hollow Local Development Corporation:

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 Sleepy Hollow Local Development Corporation (the LDC), a component unit of the Village of Sleepy Hollow, New York, for the year ended May 31, 2022, and the related notes to the financial statements, which collectively comprise the LDC's basic financial statements, and have issued our report thereon dated December 12, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

## Report on Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the LDC'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 LDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York  
December 12, 2022

**REPORT ON INVESTMENT COMPLIANCE WITH SECTION 201.3  
OF TITLE TWO OF THE OFFICIAL COMPILATION OF CODES,  
RULES AND REGULATIONS OF THE STATE OF NEW YORK**

The Board of Directors  
Sleepy Hollow Local Development Corporation:

We have examined the Sleepy Hollow Local Development Corporation's (the LDC), a component unit of the Village of Sleepy Hollow, New York, compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York (Section 201.3) during the year ended May 31, 2022. Management is responsible for the LDC's compliance with Section 201.3. Our responsibility is to express an opinion on the LDC's compliance with Section 201.3 based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about the LDC's compliance with Section 201.3. An examination involves performing procedures to obtain evidence about the LDC's compliance with Section 201.3. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the LDC's compliance with Section 201.3, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the LDC complied in all material respects with Section 201.3 during the year ended May 31, 2022.

In accordance with Government Auditing Standards, we are required to report significant deficiencies in internal control, violations of provisions of laws, regulations, contracts, or grant agreements, and abuse that are material to the LDC's compliance with Section 201.3 and any fraud or illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain views of management on those matters. We performed our examination to express an opinion on the LDC's compliance with Section 201.3 and not for the purpose of expressing an opinion on internal control over compliance with Section 201.3 or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the LDC management, the Board of Directors, the New York State Office of the State Comptroller, and the New York State Authority Budget Office and is not intended and should not be used by anyone other than those specified parties.

EFPR Group, CPAs, PLLC

Williamsville, New York  
December 12, 2022