

Village/Town of Mount Kisco, New York

**Financial Statements and
Supplementary Information**

Year Ended May 31, 2016

Village/Town of Mount Kisco, New York

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Independent Auditors' Report

**The Honorable Mayor and Board of Trustees
of the Village/Town of Mount Kisco, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village/Town of Mount Kisco, New York ("Village/Town") as of and for the year ended May 31, 2016, and the related notes to the financial statements, which collectively comprise the Village/Town'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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village/Town'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 Village/Town'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 business-type activities, each major fund, and the aggregate remaining fund information of the Village/Town, as of May 31, 2016, and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 2C and Note 3G in the notes to the financial statements which disclose the effects of the Village/Town's adoption of the provisions of Governmental Accounting Standards Board Statement Nos. 68 "*Accounting and Financial Reporting for Pensions*" and 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date*". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying 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 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village/Town'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* 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 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Village/Town as of and for the year ended May 31, 2015 (not presented herein), and have issued our report thereon dated February 24, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended May 31, 2015 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 2015 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2015 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, 2015.

The Appendix A – Management's Corrective Action Plan ("the plan") has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the plan.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated on February 27, 2017 our consideration of the Village/Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village/Town's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

February 27, 2017

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Village/Town of Mount Kisco, New York

Management's Discussion and Analysis (MD&A) May 31, 2016

Introduction

As management of the Village/Town of Mount Kisco, New York ("Village/Town"), we offer readers of the Village/Town's financial statements this narrative overview and analysis of the financial activities of the Village/Town for the fiscal year ended May 31, 2016. It should be read in conjunction with the basic financial statements, which immediately follows this section, to enhance understanding of the Village/Town's financial performance.

Financial Highlights

- ❖ In the government-wide Statement of Net Position, the assets and deferred outflows of resources of the Village/Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2016 by \$47,834,542. This is a net improvement of \$405,447 versus the prior year. The operational net position increase was \$882,040. There was a \$476,593 negative impact due to a one time effect of a change in accounting principle for pension benefits (GASB 68). After segregating restricted components of net position, the total unrestricted portion of net position is (\$2,352,835) an improvement of \$172,064 from the total unrestricted net position of (\$2,524,899) at May 31, 2015 (prior year).
- ❖ As of the close of the current fiscal year, the Village/Town's governmental funds (General, Library, Section 8 Housing, Special Purpose, Debt Service and Capital Projects Funds) reported combined ending fund balances of \$11,977,243, of which \$7,875,204 is unassigned and available for spending at the Village/Town's discretion. This unassigned balance is an improvement of \$94,559 versus the prior year.
- ❖ At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$7,875,204, or 38.4% of total General Fund expenditures and other financing uses of \$20,525,369.
- ❖ Moody's has the Village/Town's underlying credit rating at Aa2; this was affirmed in August 2015 as part of the \$9.9 million refunding. The refunding will save the Village/Town \$1,142,563 in interest payments.
- ❖ In March of 2016 the Village/Town re-issued a Bond Anticipation Note in the amount of \$1,320,000 for a Sewer Re-Lining Project. The original note being \$1,500,000.
- ❖ This is our first year of the inter-municipal agreement ("IMA") contract for police services with the Westchester County Department of Public Safety. As expenditures had been accrued for there was no significant impact to the financial statements.
- ❖ For the year ended May 31, 2016, the Village/Town implemented the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions". This pronouncement established new accounting and financial reporting requirements associated with the Town's participation in the cost sharing multiple employer pension plans administered by the New York State and Local Employees' Retirement System ("ERS").

Under the new standards, cost-sharing employers are required to report in their government-wide financial statements a net pension liability (asset), pension expense and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all of the municipalities and school districts in the plan. At May 31, 2016, the Village/Town reported in its Statement of Net Position a liability of \$3,161,567 for its proportionate share of the ERS net pension liabilities. More detailed information about the Village/Town's pension plan reporting in accordance with the provisions of GASB Statement No. 68, including amounts reported as pension expense and deferred inflows/outflows of resources, is presented in the notes to financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village/Town'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/Town's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the Village/Town'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 functions of the Village/Town that are governmental activities (those principally supported by taxes and intergovernmental revenues) and functions of the Village/Town that are business-type activities (i.e., those that are intended to recover all or a significant portion of their costs through user fees and charges). The governmental activities of the Village/Town include general government support, public safety (police and fire protection), health, transportation (street maintenance and snow removal), economic opportunity and development (senior nutrition program and section 8 housing assistance), culture and recreation, home and community services (refuse and garbage collection), and interest. The business-type activities of the Village/Town include water and sanitary sewer services.

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. The Village/Town, 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/Town can be divided into three categories: governmental funds, proprietary 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/Town maintains six individual governmental funds. The General Fund, Capital Projects Fund and Debt Service Fund are considered to be major funds. The following funds are grouped together as non-major governmental funds: Library Fund, Community Development Section 8 Housing Fund, and Special Purpose Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the above funds, all of which are considered to be major funds of the Village/Town.

The Village/Town adopts annual budgets for the General Fund, Library Fund, and Debt Service Fund. As required, budgetary comparison statements have been provided for the General Fund, Library Fund, and Debt Service Fund within the financial statements to demonstrate compliance with the respective budgets. In the Capital Projects Fund, budgets are established on an individual project basis.

Proprietary Funds

The Village/Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village/Town uses enterprise funds to account for its water and sanitary sewer operations. The proprietary fund financial statements can be found in the basic financial statements section of this report. The Village/Town adopts annual budgets for the Water Enterprise Fund and Sewer Enterprise Fund for management purposes.

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/Town programs. The Village/Town maintains two types of fiduciary funds that are known as an agency fund and two pension trust funds. Resources are held in the fund by the Village/Town purely in a custodial capacity. The activities in these funds are 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. The notes can be found following the basic financial statements section of this report.

Other Information

Additional statements and schedules can be found immediately following the notes to the financial statements. These include combining and individual fund financial statements for the major and non-major governmental funds and schedules of budget to actual comparisons.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Village/Town, assets and deferred inflows of resources exceeded liabilities and deferred out flows of resources by \$47,834,542 at the close of fiscal year 2015-2016, an increase of \$405,447 (.85%) from the prior fiscal year of \$47,429,095. By far, the largest portion of the Village/Town's net position, 97.13%, is its investment in capital assets, net of any related debt outstanding that was used to acquire those assets, \$46,459,752 (land, buildings and improvements, infrastructure, machinery and equipment, vehicles and construction-in-progress). The Village/Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the Village/Town's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (such as real property taxes, and water and sewer user charges), since the capital assets themselves cannot be used to liquidate the debt.

Net Position

The following table reflects the condensed Statement of Net Position:

	May 31, 2016			May 31, 2015		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current Assets	\$ 19,388,431	\$ 6,612,633	\$ 26,001,064	\$ 19,537,093	\$ 5,941,931	\$ 25,479,024
Capital Assets, Net	36,012,086	28,641,632	64,653,718	36,501,654	29,869,084	66,370,738
Total Assets	55,400,517	35,254,265	90,654,782	56,038,747	35,811,015	91,849,762
Deferred Outflows of Resources	2,751,667	700,228	3,451,895	36,568	35,257	71,825
Current Liabilities	6,550,997	1,928,356	8,479,353	6,864,129	1,994,368	8,858,497
Noncurrent Liabilities	25,321,537	12,002,015	37,323,552	23,004,476	12,629,519	35,633,995
Total Liabilities	31,872,534	13,930,371	45,802,905	29,868,605	14,623,887	44,492,492
Deferred Inflows of Resources	361,073	108,157	469,230	-	-	-
Net Position:						
Invested in Capital Assets, Net of Related Debt	29,133,869	17,325,883	46,459,752	28,184,632	17,292,999	45,477,631
Restricted	2,437,296	1,290,329	3,727,625	3,186,953	1,289,410	4,476,363
Unrestricted (Deficit)	(5,652,588)	3,299,753	(2,352,835)	(5,164,875)	2,639,976	(2,524,899)
Total Net Position	\$ 25,918,577	\$ 21,915,965	\$ 47,834,542	\$ 26,206,710	\$ 21,222,385	\$ 47,429,095

A portion of the Village/Town's net position at May 31, 2016 and 2015, \$3,727,625 and \$4,476,363, respectively, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position at May 31, 2016 and 2015 is (\$2,352,835) and (\$2,524,899) respectively. Reflected in the unrestricted portion of net position is the inclusion of long-term debt liabilities such as compensated absences, bonds issued for the landfill closure capital project, and the estimated costs for the maintenance and monitoring of the landfill site.

Changes in Net Position

	Fiscal Year Ended May 31, 2016			Fiscal Year Ended May 31, 2015		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,671,564	5,759,711	\$ 9,431,275	\$ 3,755,899	5,342,507	\$ 9,098,406
Operating Grants and Contributions	1,387,044	-	1,387,044	1,231,377	-	1,231,377
Capital Grants and Contributions	41,144	-	41,144	300,488	-	300,488
General Revenues:						
Real Property Taxes	14,624,711	-	14,624,711	14,113,235	-	14,113,235
Other Tax Items	357,098	-	357,098	382,680	-	382,680
Non-Property Taxes	2,060,236	-	2,060,236	2,119,075	-	2,119,075
Unrestricted Use of						
Money and Property	18,773	80,986	99,759	16,718	87,699	104,417
State Aid	493,606	-	493,606	298,650	-	298,650
Other Revenues	169,627	-	169,627	34,995	-	34,995
Sale of Property and Compensation for Loss	17,722	-	17,722	249,923	-	249,923
Total Revenues	<u>22,841,525</u>	<u>5,840,697</u>	<u>28,682,222</u>	<u>22,503,040</u>	<u>5,430,206</u>	<u>27,933,246</u>
Program Expenses:						
General Government						
Support	3,239,291	-	3,239,291	3,032,392	-	3,032,392
Public Safety	8,803,437	-	8,803,437	9,722,982	-	9,722,982
Health	488,359	-	488,359	448,216	-	448,216
Transportation	2,005,529	-	2,005,529	2,160,460	-	2,160,460
Economic Opportunity and Development	1,694,847	-	1,694,847	1,703,671	-	1,703,671
Culture and Recreation	3,243,395	-	3,243,395	2,845,471	-	2,845,471
Home and Community Services	3,121,248	4,718,032	7,839,280	2,851,232	4,963,955	7,815,187
Interest	166,813	319,231	486,044	350,633	432,314	782,947
Total Expenses	<u>22,762,919</u>	<u>5,037,263</u>	<u>27,800,182</u>	<u>23,115,057</u>	<u>5,396,269</u>	<u>28,511,326</u>
Change in Net Position	<u>78,606</u>	<u>803,434</u>	<u>882,040</u>	<u>(612,017)</u>	<u>33,937</u>	<u>(578,080)</u>
NET POSITION						
Beginning, as reported	26,206,710	21,222,385	47,429,095	26,818,727	21,188,448	48,007,175
Effect of Change in Accounting	(366,739)	(109,854)	(476,593)	-	-	-
Beginning, as restated	<u>25,839,971</u>	<u>21,112,531</u>	<u>46,952,502</u>	<u>26,818,727</u>	<u>21,188,448</u>	<u>48,007,175</u>
Ending	<u>\$ 25,918,577</u>	<u>\$ 21,915,965</u>	<u>\$ 47,834,542</u>	<u>\$ 26,206,710</u>	<u>\$ 21,222,385</u>	<u>\$ 47,429,095</u>

Governmental Activities

This year, the Village/Town's governmental activities net position decreased by \$288,133 or 1.1% to \$25,918,577. Last year, the decrease in governmental activities net position was \$ 612,017 or 2.28%. The decrease was due primarily to the change in accounting methodology, (GASB 68), a negative book entry of \$366,739.

For the fiscal year ended May 31, 2016, revenues from governmental activities totaled \$22,841,525. Tax revenues of \$17,042,045 were comprised of real property taxes, other tax items, and non-property tax items, represented the largest revenue source at 74.61%. Tax revenues in the prior year totaled \$16,614,990, and represented 73.83% of total revenues of \$22,503,040.

The largest components of governmental activities' expenses this year were public safety \$8,803,437 at 38.67%, general government support \$3,239,291 at 14.23%, culture and recreation \$3,243,395 at 14.25%, and home and community services \$3,121,248 at 13.71%

This is consistent from prior year where the largest components were public safety \$9,722,982 at 42.06%, general government support \$3,032,392 at 13.12%, home and community services \$2,851,232 at 12.33%, and culture and recreation \$2,845,471 at 12.31%.

The decrease in total expenses was \$352,138 primarily driven by the reduction in Public Safety expenses of \$919,545. Culture and Recreation, Home and Community Services and General Government Support were all unfavorable \$397,924, \$270,016, and \$206,899 respectively. Interest expense and Transportation were favorable by \$183,820 and \$154,931. The refunding of debt and a relatively light winter were the contributors to the favorability.

Business-type Activities

Business-type activities increased the Village/Town's net position by \$693,580 or 3.16% to \$21,915,965. Revenues from the water and sewer business-type activities were \$5,840,697. In the prior year, business-type activities increased the Village/Town's net position by \$33,937 or .16% on revenues of \$5,430,206.

Expenses were also favorable with \$5,037,263 spent in 2016 versus \$5,396,269 spent in 2015. This represents a 6.65% decrease from the prior year expense. Interest expense decreased by \$113,083. The change in accounting methodology, (GASB 68), was a negative book entry of \$109,854.

Financial Analysis of the Village/Town's Funds

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

Governmental Funds

The focus of the Village/Town'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/Town's financing requirements. In particular, 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. As of the end of the current fiscal year, the Village/Town's governmental funds reported combined ending fund balances of \$11,977,243 a net increase of \$128,772 from the prior year amounts of \$11,848,471. Approximately 65.8% or \$7,875,204 of the total ending fund balance constitutes as unassigned fund balance. The remaining \$4,102,039 of fund balance is restricted to indicate that it is not available for new spending because it has already been assigned.

These are grouped into four major categories as follows:

Non-Spendable - Prepaid Expenses and Inventory of \$3,488.

Restricted - A total of \$ 2,304,951 comprised of assigned capital projects \$1,064,726, various reserve funds of \$898,392, debt service of \$300,485, and other governmental funds of \$41,348.

Committed - \$1,403,232 for designated tax stabilization and unassigned capital projects.

Assigned - \$390,368 for subsequent year's expense, open purchase orders, and deferred expenses to other governmental funds.

The General Fund is the primary operating fund of the Village/Town. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$7,875,204 representing 75.98% of the total General Fund fund balance of \$10,365,103. Two useful measures of liquidity are the percentage of unassigned fund balance to total expenditures and total fund balance to total expenditures. At the end of the current fiscal year, the General Fund showed a 38.4% unassigned fund balance of \$7,875,204, \$7,780,645 in 2015, to total expenditures and transfers out of \$20,525,369 in 2016 as compared to \$20,747,162 in 2015 (37.50% last year), while total fund balance represents 50.5% of that same amount (45.05% last year). The Board of Trustees strives to maintain the unassigned fund balance at a level equal to at least 10% of the General Fund budget, measured at the end of the Village/Town's fiscal year. In managing the unassigned fund balance, various reserve accounts such as the Tax Stabilization Reserve and Capital Reserve are reviewed each fiscal year and increased if necessary by use of unassigned fund balance and Board of Trustees approval.

Total combined revenues of \$21,544,660 versus expenditures of \$20,525,369 resulted in a net increase of \$1,019,291 to fund balance. The budgeted fund balance appropriation of \$214,502 was not utilized.

All revenue categories for the fiscal year ended May 31, 2016 were favorable for a total of \$475,225.

As with the revenue items, all expense categories were favorable for a total of \$618,164.

All line item budget variances were addressed and amended by the Board of Trustees.

The fund balance for the Library Fund increased \$133,497 during the year from \$44,620 in 2015 to \$178,117 as of May 31, 2016. This was projected due to changes in staffing, increased revenues, and reductions in operational and interest expenses.

The Community Development Section 8 Housing Fund, which provides Housing Assistance Payments for eligible tenants, ended its fiscal year with a fund balance of \$15,482 a decrease of \$13,431 from the prior year on revenues of \$1,112,164, and expenditures of \$1,125,595. While revenues are higher than the prior year, the expenditures exceeded what was provided for through federal aid. The federal program is working to reduce the fund balances. Since some administrative expenses are not reimbursed, the village subsidized the program by \$24,540.

The Special Purpose Trust showed a reduction in fund balance of \$4,367 to a year-end balance of \$36,935. These monies are donations for specific purposes so there is no budget for revenues or expenses.

Total net position of the Water and Sewer Enterprise Funds at year-end were \$21,915,965. Net position invested in capital position, net of related debt, were \$17,325,883. A portion of net position is restricted to indicate that it is not available for new spending because it has already been dedicated to pay for debt service \$105,814, dedicated to various capital projects \$369,780, and dedicated to various reserve funds

\$814,735. After accounting for the above components of net position, there is a \$3,299,753 balance in the unrestricted portion of net position, an increase of \$659,777 from the unrestricted portion of net position at May 31, 2015 of \$2,639,976. This reversed a downward trend and restored the fund to a figure slightly above 2014 levels of \$3,114,543.

The effect of change in accounting for pension (GASB 68) was a negative \$109,854.

In the Water Enterprise Fund, operating revenues and non-operating revenues aggregated \$4,854,439. Operating expenses and interest expense totaled \$4,088,348. For the year, net position increased by \$696,175. Unrestricted fund balance is \$3,109,388.

In the Sewer Enterprise Fund, operating revenues and non-operating revenues aggregated \$986,258. Operating expenses, total \$948,915. For the year, net position decreased \$2,595, Deprecation Expense being \$180,775 and the GASB 68 adjustment was \$39,938. While the Sewer Fund Net Position is a positive \$4,444,848 the bulk of this is Capital Assets and Restricted Funds. The Unrestricted amount is \$190,365. This positive swing in fund balance was due to a rate increase implemented for the 2015-2016 fiscal year.

General Fund Budgetary Highlights

The difference between the original budget and actual revenues for the General Fund is a favorable \$444,435. Overall expenses were under budget by \$618,164 for a total of \$1,093,389 increase to the fund balance. The original budget called for appropriations of fund balances totaling \$288,600, the final budget utilized \$74,098.

As previously mentioned all the revenue and expense accounts were favorable

The final budget was increased by \$337,020 to reflect actual increases.

Capital Assets

The Village/Town's investment in capital assets for governmental and business-type activities at May 31, 2016, net of accumulated depreciation in the amount of \$50,640,452, was \$64,653,718. For the year, net capital assets decreased by \$1,717,020. Assets added during the year were \$1,298,320 and the annual depreciation expense was \$ 3,015,341. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and construction-in-progress.

	May 31, 2016		
	Governmental Activities	Business-Type Activities	Total
Asset:			
Land	\$ 11,577,611	\$ 1,082,787	\$ 12,660,398
Land Improvements-non exhaustible	-	395,126	395,126
Land Improvements	12,555,659	2,142,476	14,698,135
Buildings and Improvements	23,756,097	3,420,919	27,177,016
Infrastructure	11,186,059	35,868,543	47,054,602
Machinery and Equipment	7,087,799	5,977,669	13,065,468
Construction-in-Progress	243,425	-	243,425
Less: Accumulated Depreciation	(30,394,564)	(20,245,888)	(50,640,452)
Total (Net of Depreciation)	<u>\$ 36,012,086</u>	<u>\$ 28,641,632</u>	<u>\$ 64,653,718</u>

Additional information on the Village/Town's capital assets can be found in Note 3, C in the notes to the financial statements.

Short Term Debt – Bond Anticipation Notes

During the year a Budget Anticipation Note for the sewer relining project was re-issued in the amount of \$1,320,000. During the year ending May 31, 2016, short term principal of \$ 60,000 was repaid.

Additional information on the Village/Town's short-term debt can be found in Note 3, F in the notes to the financial statements.

Long Term Debt

At the end of the current fiscal year, the Village/Town had total bonded debt outstanding of \$17,080,000. As required by New York State law, all bonds issued by the Village/Town are general obligation bonds, backed by the full faith and credit of the Village/Town. As a policy, principal and interest on debt issued by the enterprise funds must be repaid solely from revenues of that fund. Of the total bonded debt outstanding at fiscal year-end, \$10,085,000 represented debt of the Water Enterprise Fund.

During the year ended May 31, 2016, bond principal of \$3,146,411 was repaid.

Additional information on the Village/Town's long-term debt can be found in Note 3, G in the notes to the financial statements.

Requests for Information

This report is designed to provide a general overview of the Village/Town of Mount Kisco, New York's finances for all those with an interest. Questions and comments concerning any of the information provided in this report should be addressed to Edward W. Brancati, Village Manager, Village/Town of Mount Kisco, 104 Main Street, Mount Kisco, New York 10549.

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Village/Town of Mount Kisco, New York

Statement of Net Position
May 31, 2016

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and equivalents	\$ 16,368,105	\$ 5,154,403	\$ 21,522,508
Receivables			
Taxes, net	1,042,116	-	1,042,116
Accounts, net	428,204	1,458,230	1,886,434
State and Federal aid, net	619,426	-	619,426
Due from other governments	927,092	-	927,092
Prepaid expenses	3,488	-	3,488
Capital assets			
Not being depreciated	11,821,036	1,477,913	13,298,949
Being depreciated, net	24,191,050	27,163,719	51,354,769
Total Assets	55,400,517	35,254,265	90,654,782
DEFERRED OUTFLOWS OF RESOURCES	2,751,667	700,228	3,451,895
LIABILITIES			
Accounts payable	577,194	305,481	882,675
Accrued liabilities	2,589,463	117,592	2,707,055
Due to other governments	2,477,974	-	2,477,974
Due to retirement systems	135,581	40,156	175,737
Retainages payable	46,940	-	46,940
Bond anticipation note payable	-	1,320,000	1,320,000
Internal balances	(301)	301	-
Unearned revenues	650,339	-	650,339
Overpayments	-	3,736	3,736
Accrued interest payable	73,807	141,090	214,897
Noncurrent liabilities			
Due within one year	973,600	1,461,000	2,434,600
Due in more than one year	24,347,937	10,541,015	34,888,952
Total Liabilities	31,872,534	13,930,371	45,802,905
DEFERRED INFLOWS OF RESOURCES	361,073	108,157	469,230
NET POSITION			
Net investment in capital assets	29,133,869	17,325,883	46,459,752
Restricted			
Capital projects	1,064,726	369,780	1,434,506
Future capital projects	56	-	56
Open space	741,635	-	741,635
Other purposes	-	799,616	799,616
Unemployment benefits	33,481	15,119	48,600
Debt service	444,513	105,814	550,327
Special Revenue Funds			
Public Library	100,468	-	100,468
Section 8 Housing	15,482	-	15,482
Special Purpose	36,935	-	36,935
Unrestricted	(5,652,588)	3,299,753	(2,352,835)
Total Net Position	\$ 25,918,577	\$ 21,915,965	\$ 47,834,542

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

Village/Town of Mount Kisco, New York

Statement of Activities
Year Ended May 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government support	\$ 3,239,291	\$ 1,020,354	\$ 54,862	\$ 35,000
Public safety	8,803,437	1,078,050	-	-
Health	488,359	45,600	122,518	-
Transportation	2,005,529	918,612	6,250	-
Economic opportunity and development	1,694,847	16,611	1,181,177	-
Culture and recreation	3,243,395	547,382	9,115	-
Home and community services	3,121,248	44,955	13,122	-
Interest	166,813	-	-	6,144
Total Governmental Activities	22,762,919	3,671,564	1,387,044	41,144
Business-type activities				
Water	4,088,348	4,774,326	-	-
Sewer	948,915	985,385	-	-
Total Business-type Activities	5,037,263	5,759,711	-	-
Total	\$ 27,800,182	\$ 9,431,275	\$ 1,387,044	\$ 41,144

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
Non-property tax distribution from County
Utilities gross receipts taxes
Unrestricted use of money and property
Sales of property and compensation for loss
Unrestricted State aid
Miscellaneous
Insurance recoveries

Total General Revenues

Change in Net Position

NET POSITION

Beginning, as reported

Cumulative Effect of Change in Accounting Principle

Beginning, as restated

Ending

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

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,129,075)	\$ -	\$ (2,129,075)
(7,725,387)	-	(7,725,387)
(320,241)	-	(320,241)
(1,080,667)	-	(1,080,667)
(497,059)	-	(497,059)
(2,686,898)	-	(2,686,898)
(3,063,171)	-	(3,063,171)
(160,669)	-	(160,669)
<u>(17,663,167)</u>	<u>-</u>	<u>(17,663,167)</u>
-	685,978	685,978
-	36,470	36,470
-	722,448	722,448
<u>(17,663,167)</u>	<u>722,448</u>	<u>(16,940,719)</u>
14,624,711	-	14,624,711
141,670	-	141,670
215,428	-	215,428
263,641	-	263,641
1,584,010	-	1,584,010
212,585	-	212,585
18,773	80,986	99,759
17,722	-	17,722
493,606	-	493,606
132,779	-	132,779
36,848	-	36,848
<u>17,741,773</u>	<u>80,986</u>	<u>17,822,759</u>
<u>78,606</u>	<u>803,434</u>	<u>882,040</u>
26,206,710	21,222,385	47,429,095
<u>(366,739)</u>	<u>(109,854)</u>	<u>(476,593)</u>
<u>25,839,971</u>	<u>21,112,531</u>	<u>46,952,502</u>
<u>\$ 25,918,577</u>	<u>\$ 21,915,965</u>	<u>\$ 47,834,542</u>

Village/Town of Mount Kisco, New York

Balance Sheet
Governmental Funds
May 31, 2016

	General	Capital Projects	Debt Service
ASSETS			
Cash and equivalents	\$ 14,503,704	\$ 1,224,593	\$ 317,345
Taxes receivable, net	990,946	-	51,170
Other receivables			
Accounts, net	427,605	-	-
State and Federal aid, net	619,426	-	-
Due from other governments	927,092	-	-
Due from other funds	32,607	140,277	86
	2,006,730	140,277	86
Prepaid expenditures	3,488	-	-
Total Assets	\$ 17,504,868	\$ 1,364,870	\$ 368,601
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 451,606	\$ 102,256	\$ 551
Accrued liabilities	2,531,399	-	-
Due to other governments	2,477,974	-	-
Due to retirement systems	122,886	-	-
Retainages payable	-	46,940	-
Due to other funds	142,318	31,363	-
Unearned revenues	530,754	119,585	-
Total Liabilities	6,256,937	300,144	551
Deferred inflows of resources			
Deferred tax revenues	882,828	-	51,170
Total Liabilities and Deferred Inflows of Resources	7,139,765	300,144	51,721
Fund balances			
Nonspendable	3,488	-	-
Restricted	898,392	1,064,726	300,485
Committed	1,403,232	-	-
Assigned	184,787	-	16,395
Unassigned	7,875,204	-	-
Total Fund Balances	10,365,103	1,064,726	316,880
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 17,504,868	\$ 1,364,870	\$ 368,601

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

Other Governmental	Total Governmental Funds
\$ 322,463	\$ 16,368,105
-	1,042,116
599	428,204
-	619,426
-	927,092
1,921	174,891
2,520	2,149,613
-	3,488
\$ 324,983	\$ 19,563,322

\$ 22,781	\$ 577,194
58,064	2,589,463
-	2,477,974
12,695	135,581
-	46,940
909	174,590
-	650,339
94,449	6,652,081
-	933,998
94,449	7,586,079
-	3,488
41,348	2,304,951
-	1,403,232
189,186	390,368
-	7,875,204
230,534	11,977,243
\$ 324,983	\$ 19,563,322

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Village/Town of Mount Kisco, New York

**Reconciliation of Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Position
May 31, 2016**

Fund Balances - Total Governmental Funds	\$ 11,977,243
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.	36,012,086
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Real property taxes	933,998
Governmental funds do not report the effect of losses on refunding bonds and assets or liabilities related to net pension assets (liabilities) whereas, these amount are deferred and amortized in the statement of activities.	
Deferred amounts on refunding bonds	513,626
Deferred amounts on net pension assets (liabilities)	1,876,968
	2,390,594
Long-term and other liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(73,807)
Bonds payable	(7,611,843)
Net pension liability	(2,432,826)
Compensated absences	(790,303)
Landfill closure costs	(663,000)
Other post employment benefit obligations payable	(13,823,565)
	(25,395,344)
Net Position of Governmental Activities	\$ 25,918,577

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

Village/Town of Mount Kisco, New York
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended May 31, 2016

	General	Capital Projects	Debt Service
REVENUES			
Real property taxes	\$ 14,520,581	\$ -	\$ 89,631
Other tax items	357,098	-	-
Non-property taxes	2,060,236	-	-
Departmental income	2,010,633	-	-
Intergovernmental charges	670,916	-	-
Use of money and property	437,103	-	6,144
Licenses and permits	99,348	-	-
Fines and forfeitures	430,607	-	-
Sale of property and compensation for loss	54,570	-	-
State aid	512,906	-	-
Federal aid	203,021	-	-
Miscellaneous	187,641	35,000	-
Total Revenues	21,544,660	35,000	95,775
EXPENDITURES			
Current			
General government support	2,383,236	-	550
Public safety	7,480,297	-	-
Health	420,534	-	-
Transportation	914,623	-	-
Economic opportunity and development	281,710	-	-
Culture and recreation	1,102,532	-	-
Home and community services	1,199,339	-	-
Employee benefits	3,630,468	-	-
Capital outlay	-	1,185,029	-
Debt service			
Principal	-	-	1,705,479
Interest	-	-	202,851
Refunding bond issuance costs	-	-	74,853
Total Expenditures	17,412,739	1,185,029	1,983,733
Excess (Deficiency) of Revenues over Expenditures	4,131,921	(1,150,029)	(1,887,958)
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	-	5,225,000
Payment to refunded bond escrow agent	-	-	(5,731,488)
Issuance premium	-	-	581,341
Transfers in	-	826,371	1,156,539
Transfers out	(3,112,630)	-	(25,994)
Total Other Financing Sources (Uses)	(3,112,630)	826,371	1,205,398
Net Change in Fund Balances	1,019,291	(323,658)	(682,560)
FUND BALANCES			
Beginning of Year	9,345,812	1,388,384	999,440
End of Year	\$ 10,365,103	\$ 1,064,726	\$ 316,880

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

Other Governmental	Total Governmental Funds
\$ -	\$ 14,610,212
-	357,098
-	2,060,236
2,941	2,013,574
-	670,916
25,076	468,323
-	99,348
-	430,607
-	54,570
2,722	515,628
1,087,614	1,290,635
33,238	255,879
<u>1,151,591</u>	<u>22,827,026</u>
14,042	2,397,828
7,741	7,488,038
3,885	424,419
-	914,623
1,125,595	1,407,305
798,475	1,901,007
749	1,200,088
251,170	3,881,638
-	1,185,029
-	1,705,479
-	202,851
-	74,853
<u>2,201,657</u>	<u>22,783,158</u>
<u>(1,050,066)</u>	<u>43,868</u>
-	5,225,000
-	(5,731,488)
-	581,341
1,824,554	3,807,464
(658,789)	(3,797,413)
<u>1,165,765</u>	<u>84,904</u>
115,699	128,772
<u>114,835</u>	<u>11,848,471</u>
<u>\$ 230,534</u>	<u>\$ 11,977,243</u>

Village/Town of Mount Kisco, 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, 2016**

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

Net Change in Fund Balances - Total Governmental Funds \$ 128,772

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.

Capital outlay expenditures	1,217,991
Depreciation expense	<u>(1,707,559)</u>
	<u>(489,568)</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>14,499</u>
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Long-term debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Refunding bonds issued	(5,225,000)
Payment to refunded bond escrow agent	5,731,488
Issuance premium	(581,341)
Principal paid on serial bonds	1,705,479
Amortization of loss on refunding bond and issuance premium	<u>14,839</u>
	<u>1,645,465</u>

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.

Accrued interest	21,199
Compensated absences	(42,559)
Pension asset (obligation)	(189,119)
Landfill closure costs	51,000
Other post employment benefit obligations	<u>(1,061,083)</u>
	<u>(1,220,562)</u>

Change in Net Position of Governmental Activities	<u><u>\$ 78,606</u></u>
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The notes to the financial statements are an integral part of this statement.

Village/Town of Mount Kisco, New York

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
Year Ended May 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	\$ 14,606,780	\$ 14,520,581	\$ 14,520,581	\$ -
Other tax items	330,000	356,218	357,098	880
Non-property taxes	1,890,000	2,060,236	2,060,236	-
Departmental income	1,649,635	1,909,513	2,010,633	101,120
Intergovernmental charges	681,000	656,721	670,916	14,195
Use of money and property	433,130	427,673	437,103	9,430
Licenses and permits	106,500	92,979	99,348	6,369
Fines and forfeitures	488,000	430,457	430,607	150
Sale of property and compensation for loss	13,700	17,758	54,570	36,812
State aid	331,068	333,487	512,906	179,419
Federal aid	70,000	196,908	203,021	6,113
Miscellaneous	126,544	66,904	187,641	120,737
Total Revenues	20,726,357	21,069,435	21,544,660	475,225
EXPENDITURES				
Current				
General government support	3,698,914	2,506,954	2,383,236	123,718
Public safety	5,400,306	7,608,869	7,480,297	128,572
Health	298,130	434,354	420,534	13,820
Transportation	1,060,583	1,026,942	914,623	112,319
Economic opportunity and development	298,507	298,507	281,710	16,797
Culture and recreation	1,157,871	1,131,687	1,102,532	29,155
Home and community services	1,169,469	1,233,004	1,199,339	33,665
Employee benefits	5,614,364	3,760,031	3,630,468	129,563
Total Expenditures	18,698,144	18,000,348	17,412,739	587,609
Excess of Revenues Over Expenditures	2,028,213	3,069,087	4,131,921	1,062,834
OTHER FINANCING USES				
Transfers out	(2,316,813)	(3,143,185)	(3,112,630)	30,555
Net Change in Fund Balance	(288,600)	(74,098)	1,019,291	1,093,389
FUND BALANCE				
Beginning of Year	288,600	74,098	9,345,812	9,271,714
End of Year	\$ -	\$ -	\$ 10,365,103	\$ 10,365,103

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

Village/Town of Mount Kisco, New York

Statement of Net Position
Proprietary Funds
May 31, 2016

	Water	Sewer	Totals
ASSETS			
Current assets			
Cash and equivalents	\$ 3,839,991	\$ 1,314,412	\$ 5,154,403
Accounts, net	1,213,086	245,144	1,458,230
Total Current Assets	5,053,077	1,559,556	6,612,633
Noncurrent Assets			
Capital assets			
Not being depreciated	987,402	490,511	1,477,913
Being depreciated, net	22,933,747	4,229,972	27,163,719
Total Noncurrent Assets	23,921,149	4,720,483	28,641,632
Total Assets	28,974,226	6,280,039	35,254,265
DEFERRED OUTFLOWS OF RESOURCES	456,501	243,727	700,228
LIABILITIES			
Current liabilities			
Accounts payable	170,462	135,019	305,481
Accrued liabilities	82,957	34,635	117,592
Due to retirement systems	26,780	13,376	40,156
Bond anticipation note payable	-	1,320,000	1,320,000
Due to other funds	133	168	301
Overpayments	3,736	-	3,736
Accrued interest payable	138,714	2,376	141,090
Total Current Liabilities	422,782	1,505,574	1,928,356
Noncurrent liabilities			
Due within one year	1,450,100	10,900	1,461,000
Due in more than one year	10,017,892	523,123	10,541,015
Total Noncurrent Liabilities	11,467,992	534,023	12,002,015
Total Liabilities	11,890,774	2,039,597	13,930,371
DEFERRED INFLOWS OF RESOURCES	68,836	39,321	108,157
NET POSITION			
Net investment in capital assets	13,373,918	3,951,965	17,325,883
Restricted for capital projects	369,780	-	369,780
Restricted for other purposes	497,098	302,518	799,616
Restricted for unemployment benefits	15,119	-	15,119
Restricted for debt service	105,814	-	105,814
Unrestricted	3,109,388	190,365	3,299,753
Total Net Position	\$ 17,471,117	\$ 4,444,848	\$ 21,915,965

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

Village/Town of Mount Kisco, New York

**Statement of Revenues, Expenses and Changes in
Net Position
Proprietary Funds
Year Ended May 31, 2016**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
OPERATING REVENUES			
Departmental income	\$ 4,765,589	\$ 985,385	\$ 5,750,974
Licenses and permits	7,860	-	7,860
Miscellaneous	877	-	877
	<u>4,774,326</u>	<u>985,385</u>	<u>5,759,711</u>
OPERATING EXPENSES			
Personal services	745,406	380,608	1,126,014
Supplies	154,177	1,917	156,094
Utilities	277,294	4,324	281,618
Contractual and other	867,382	140,926	1,008,308
Professional fees	57,157	6,556	63,713
Employee benefits	539,548	224,367	763,915
Depreciation	1,137,595	180,775	1,318,370
	<u>3,778,559</u>	<u>939,473</u>	<u>4,718,032</u>
Income from Operations	<u>995,767</u>	<u>45,912</u>	<u>1,041,679</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	80,113	873	80,986
Interest expense	(309,789)	(9,442)	(319,231)
	<u>(229,676)</u>	<u>(8,569)</u>	<u>(238,245)</u>
Total Non-Operating Expenses	<u>(229,676)</u>	<u>(8,569)</u>	<u>(238,245)</u>
Change in Net Position	<u>766,091</u>	<u>37,343</u>	<u>803,434</u>
NET POSITION			
Beginning of Year	16,774,942	4,447,443	21,222,385
Cumulative Effect of Change in Accounting Principle	<u>(69,916)</u>	<u>(39,938)</u>	<u>(109,854)</u>
Beginning of Year, as restated	<u>16,705,026</u>	<u>4,407,505</u>	<u>21,112,531</u>
End of Year	<u>\$ 17,471,117</u>	<u>\$ 4,444,848</u>	<u>\$ 21,915,965</u>

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

Village/Town of Mount Kisco, New York

Statement of Cash Flows
Proprietary Funds
Year Ended May 31, 2016

	Water	Sewer	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from departmental income	\$ 4,853,542	\$ 984,097	\$ 5,837,639
Cash received from licenses and permits	7,860	-	7,860
Cash received from miscellaneous revenue	877	-	877
Cash from other funds for reimbursement of operating transactions	(2,030)	(2,071)	(4,101)
Cash payments for goods or services	(1,363,151)	(141,136)	(1,504,287)
Cash payments to employees	(1,213,719)	(564,838)	(1,778,557)
Net Cash from Operating Activities	2,283,379	276,052	2,559,431
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on bonds	(1,415,022)	-	(1,415,022)
Payment of bond anticipation note principal	-	(60,000)	(60,000)
Interest paid on indebtedness	(308,279)	(8,832)	(317,111)
Acquisition and construction of capital assets	(45,955)	(44,962)	(90,917)
Net Cash from Capital and Related Financing Activities	(1,769,256)	(113,794)	(1,883,050)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest income	80,113	873	80,986
Net Change in Cash and Equivalents	594,236	163,131	757,367
CASH AND EQUIVALENTS			
Beginning of Year	3,245,755	1,151,281	4,397,036
End of Year	\$ 3,839,991	\$ 1,314,412	\$ 5,154,403
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES			
Income from operations	\$ 995,767	\$ 45,912	\$ 1,041,679
Adjustments to reconcile income from operations to net cash from operating activities			
Depreciation	1,137,595	180,775	1,318,370
Changes in operating assets and liabilities			
Accounts receivable	86,930	(1,288)	85,642
State and Federal aid receivable	1,023	-	1,023
Deferred outflows of resources	(426,668)	(243,727)	(670,395)
Accounts payable	(18,946)	111,510	92,564
Accrued liabilities	20,746	8,782	29,528
Retainages payable	(8,001)	(107,705)	(115,706)
Due to retirement systems	(2,285)	(1,769)	(4,054)
Due to other funds	(2,030)	(2,071)	(4,101)
Overpayments	(940)	-	(940)
Net pension liability	393,886	225,001	618,887
Compensated absences	16,000	7,000	23,000
Other post employment benefit obligations payable	21,466	14,311	35,777
Deferred inflows of resources	68,836	39,321	108,157
Net Cash from Operating Activities	\$ 2,283,379	\$ 276,052	\$ 2,559,431

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

Village/Town of Mount Kisco, New York**Statement of Net Position
Fiduciary Funds
May 31, 2016**

	<u>Agency Fund</u>	<u>Combined Service Award Programs</u>
ASSETS		
Cash and equivalents	<u>\$ 332,377</u>	<u>\$ 298,975</u>
Investments, at fair value		
Money market mutual funds	-	30,159
Equities	-	1,300,657
Fixed income	-	1,154,822
Other	-	265,137
	<u>-</u>	<u>2,750,775</u>
Accounts receivable	<u>34,671</u>	<u>39,758</u>
Prepaid expenses	<u>-</u>	<u>16,480</u>
Total Assets	<u>367,048</u>	<u>3,105,988</u>
LIABILITIES		
Accounts payable	52,369	5,640
Deposits	<u>314,679</u>	<u>-</u>
Total Liabilities	<u>367,048</u>	<u>5,640</u>
NET POSITION		
Held in trust for pension benefits (Schedules of funding progress for the plans are presented in the Required Supplementary Information)	<u>\$ -</u>	<u>\$ 3,100,348</u>

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

Village/Town of Mount Kisco, New York

**Statement of Changes in Fiduciary Net Position
Pension Trust Fund - Service Award Programs
Year Ended May 31, 2016**

	<u>Combined Service Award Programs</u>
ADDITIONS	
Earnings on investments	\$ 129,041
Pension contributions	320,356
Net change in fair value of investments	<u>(114,458)</u>
Total Additions	<u>334,939</u>
DEDUCTIONS	
Pension benefits	239,501
Investment fees	<u>43,281</u>
Total Deductions	<u>282,782</u>
Change in Net Position	52,157
NET POSITION	
Beginning of Year	<u>3,048,191</u>
End of Year	<u><u>\$ 3,100,348</u></u>

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

Note 1 - Summary of Significant Accounting Policies

The Village/Town of Mount Kisco, New York ("Village/Town") was established in 1875 as a Village, and as a coterminous Village/Town on January 1, 1978 pursuant to an act of the New York State Legislature and with voter approval. The Town Board is composed of the members of the Village Board. New York State law has designated certain governmental functions as a Town responsibility, while other functions are the responsibility of Village government. The Village/Town is governed by its Village Code, general laws of the State of New York and various local laws. The Mayor/Supervisor and members of the Board of Trustees/Town Board are the legislative bodies responsible for overall operations, the Village Manager serves as chief administrative officer and the Village Treasurer serves as chief fiscal officer.

The following basic services are provided: police protection, fire protection, street maintenance and snow removal, refuse and garbage pick-up, parks and recreation services, senior nutrition services and programs for the aging, public library, water, sanitary sewer services, Section 8 housing assistance and general government support.

The accounting policies of the Village/Town 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/Town's more significant accounting policies.

A. Financial Reporting Entity

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

The decision to include a potential component unit in the Village's/Town's reporting entity is based on several criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The Section 8 Housing Fund is a blended component unit reported as a special revenue fund. Based on the application of these criteria, there are no other entities that would be included in the Village's/Town's reporting entity and financial statements.

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/Town 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. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Statement of Net Position presents the financial position of the Village/Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are 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/Town does not allocate indirect expenses to functions in the Statement of Activities.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise funds are charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, depreciation costs and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

C. Fund Financial Statements

The accounts of the Village/Town are organized and operated on the basis of funds. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. 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/net position, revenues and expenditures/expenses. 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/Town 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. Proprietary and 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 explain the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Village's/Town's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

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

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.

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, other than those financed by proprietary funds.

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and for financial resources that are being accumulated for principal and interest maturing in future years.

The Village/Town also reports the following non-major governmental funds.

Special Revenue Funds - Special revenue funds are used to account for and report 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 non-major special revenue funds of the Village/Town are as follows:

Public Library Fund - used to account for the activities of the Mount Kisco Public Library.

Section 8 Housing Fund - used to account for housing rental assistance programs financed by entitlements from the U.S. Department of Housing and Urban Development. The fiscal year for this fund is April 1, 2015 through March 31, 2016.

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

- b. **Proprietary Funds** - Proprietary funds include enterprise funds that are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide the following services to the public.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Sewer Fund - used to record the sewer operations of the Village/Town which render services on a user charge basis to the general public. The Village/Town owns the sewer lines and pumping stations in the Village/Town and the County of Westchester owns and operates the trunk lines and wastewater treatment plants.

- c. Fiduciary Funds (Not Included in Government-Wide Financial Statements) - The Fiduciary Funds are used to account for assets held by the Village/Town in an agency capacity on behalf of others. These include Pension Trust and Agency funds. The Pension Trust Fund is utilized to account for the Service Awards Programs for Volunteer Firefighters and Ambulance. The Agency Fund is primarily utilized to account for various 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*, as are the Proprietary and Pension Trust funds. 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 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. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are recognized as revenues when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, net pension liability, landfill closure costs and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are

Note 1 - Summary of Significant Accounting Policies (Continued)

reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Deposits, 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.

The Village's/Town's deposits and investment policies are governed by State statutes. The Village/Town has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The Village/Town is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

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/Town 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 Village/Town subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, the Village's/Town'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/Town's name. The Village's/Town's aggregate bank balances that are not covered by depository insurance were not exposed to custodial credit risk at May 31, 2016.

The Village/Town was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

Investments - Investments of the Pension Trust Fund are held with an insurance company. The funds are invested along with the company's other assets in a variety of instruments. The amounts are invested in various portfolios by the trustee. These investments are not subject to risk categorization.

Taxes Receivable - Real property taxes attach as an enforceable lien on real property as of June 1st and are payable in two installments due in June and December. The Village/Town is responsible for the billing and collection of its taxes and also has the responsibility for conducting in-rem foreclosure proceedings.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Village/Town functions in both a fiduciary and guarantor relationship with the County of Westchester and the Bedford Central Village/Town located within the Village/Town with respect to the collection and payment of real property taxes levied by such jurisdictions. County taxes are levied in April and are payable without penalty for thirty days. Village/Town taxes are levied on July 1st and due on September 1st with the first half payable without penalty until September 30th and the second half payable without penalty until January 31st. The County Charter provides for the Village/Town to collect County and Village/Town taxes and remit them as collected to the respective municipality. However, the Village/Town must remit to the County sixty percent of the amount levied by May 25th and the balance of forty percent on October 15th. With respect to the Village/Town taxes, the Charter provides that the Village/Town satisfy the school tax warrant by April 5th. Thus, the Village's/Town's fiduciary responsibility is from the date of the levy until the due date of the respective tax warrant at which time the Village/Town must satisfy its obligation to the County and Village/Town, regardless of the amounts collected. Since Village/Town taxes are required to be satisfied by April 5th, they have been accounted for in a manner similar to Village/Town taxes. However, since the Village's/Town's fiduciary responsibility for County taxes does not expire until October, the collection of County taxes is deemed a financing transaction until the warrant is satisfied.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the Village/Town. 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/Town 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, 2016, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Inventories - There are no inventory values presented in the balance sheets of the respective funds of the Village/Town. Purchases of inventoriable items at various locations are recorded as expenses/expenditures at the time of purchase and year-end balances at these locations are not material.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the district-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 will benefit such periods. Reported amounts in governmental funds are equally offset by a reservation of fund balance 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, water and sewer mains and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village/Town as assets with an initial, individual cost of more than \$5,000 (except computers, \$1,000) and an estimated useful life in excess of three

Note 1 - Summary of Significant Accounting Policies (Continued)

years. 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.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Village/Town chose to include all such items acquired since 1980, as allowable under the provisions of GASB Statement No. 34. The Village/Town was able to estimate historical cost for the initial reporting period of these assets through actual financial records and/or construction estimates at the time such assets were acquired or constructed.

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

<u>Class</u>	<u>Life in Years</u>
Land improvements	20
Buildings and improvements	20 - 40
Infrastructure	20 - 50
Machinery and equipment	3 - 20

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 funds balance sheet.

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. In government-wide financial statements, unearned amounts 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/Town has reported unearned revenues of \$530,754 for the advance collection of summer camp fees in the General Fund and \$119,585 for State and Federal aid received in advance in the Capital Projects Fund. Such 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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/Town reported deferred outflows of resources of \$513,626 and \$29,833 for a deferred loss on refunding bonds in the government-wide and proprietary fund Statement of Net Position, respectively. 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/Town reported deferred inflows of resources of \$882,828 and \$51,170 for real property taxes in the General Fund and the Debt Service Fund, respectively. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The Village/Town also reports 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/Town's pension plans in Note 3G.

Long-Term Obligations - 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 the 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 or Debt Service funds expenditures.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation from service. The liability for such accumulated leave is reflected in the government-wide and proprietary fund financial statements as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Net Pension Liability (Asset) - The net pension liability (asset) represents the Village/Town's proportionate share of the net pension liability (asset) of the New York State and Local Employees' Retirement System and the New York State and Local 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".

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows 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/Town 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 capital projects, future capital projects, open space, other purposes, unemployment benefits, debt service 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/Town 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 the 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/Town Board of Trustees is the highest level of decision making authority for the Village/Town 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/Town 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/Town Board of Trustees.

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Village/Town Board of Trustees or a person with delegated authority from the Board of Trustees to assign amounts for a specific intended purpose. 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 funds except the General Fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.

Note 1 - Summary of Significant Accounting Policies (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/Town'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/Town'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 in the General and Public Library funds. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

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 27, 2017.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

Budget Policies - The budget policies are as follows:

- a) No later than March 20th, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b) After public hearings are conducted to obtain taxpayer comments, no later than May 1st, the Board of Trustees adopts the budget.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- c) Formal budgetary integration is employed during the year as a management control device for General, Public Library and Debt Service funds.
- d) Budgets for General, Public Library and Debt Service funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. Annual budgets are established for the Proprietary funds for management purposes only. An annual budget is not adopted for the Section 8 Housing and Special Purpose Funds.
- e) The Board of Trustees 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. Transfers between similar objects within a function may be approved by the Village Manager. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require approval by the Board.
- f) Appropriations in the General, Public Library and Debt Service funds lapse at the end of the fiscal year, except that outstanding encumbrances, if any, 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.

B. Property Tax Limitation

The Village/Town 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/Town, 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 2015-2016 was \$33,578,368 which exceeded the actual levy by \$18,991,588. 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.

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/Town 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

Note 2 - Stewardship, Compliance and Accountability (Continued)

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/Town 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/Town, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Village/Town. The Village/Town Board may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Village/Town Board first enacts, by a vote of at least sixty percent of the total voting power of the Village/Town Board, a local law to override such limit for such coming fiscal year.

C. Cumulative Effect of Change in Accounting Principle

For the year ended May 31, 2016, the Village/Town implemented 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". These statements seek to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses/expenditures. These statements also require the identification of the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. As a result of adopting these standards, the government-wide and proprietary financial statements reflect a cumulative effect for the change in accounting principle of \$366,739 and \$109,854 respectively.

Note 3 - Detailed Notes on All Funds

A. Taxes Receivable

Taxes receivable at May 31, 2016 consisted of the following:

Current Year	\$ 117,449
Prior Years	<u>1,693,864</u>
	1,811,313
Allowance for Uncollectible Taxes	<u>(820,367)</u>
Total General Fund	990,946
Debt Service Fund - Special Assessments	<u>51,170</u>
Total	<u><u>\$ 1,042,116</u></u>

Village/Town of Mount Kisco, New York**Notes to Financial Statements (Continued)****May 31, 2016****Note 3 - Detailed Notes on All Funds (Continued)****B. Due From/To Other Funds**

The balances reflected as due from/to other funds at May 31, 2016 were as follows:

<u>Fund</u>	<u>Due from</u>	<u>Due to</u>
General	\$ 32,607	\$ 142,318
Capital Projects	140,277	31,363
Debt Service	86	-
Other Governmental	1,921	909
Water Enterprise	-	133
Sewer Enterprise	-	168
Totals	\$ 174,891	\$ 174,891

The outstanding balances between funds results 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/Town's capital assets at May 31, 2016 are as follows:

	<u>Balance June 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance May 31, 2016</u>
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 11,577,611	\$ -	\$ -	\$ 11,577,611
Construction-in-progress	109,937	133,488	-	243,425
Total Capital Assets, not being depreciated	\$ 11,687,548	\$ 133,488	\$ -	\$ 11,821,036
Capital Assets, being depreciated				
Land Improvements	\$ 12,544,566	\$ 11,093	\$ -	\$ 12,555,659
Buildings and Improvements	23,678,157	77,940	-	23,756,097
Infrastructure	11,073,834	112,225	-	11,186,059
Machinery and Equipment	6,215,142	883,245	10,588	7,087,799
Total Capital Assets, being depreciated	53,511,699	1,084,503	10,588	54,585,614
Less Accumulated Depreciation for				
Land Improvements	9,687,363	465,856	-	10,153,219
Buildings and Improvements	8,237,658	601,493	-	8,839,151
Infrastructure	5,653,436	374,290	-	6,027,726
Machinery and Equipment	5,119,136	265,920	10,588	5,374,468
Total Accumulated Depreciation	28,697,593	1,707,559	10,588	30,394,564
Total Capital Assets, being depreciated, net	\$ 24,814,106	\$ (623,056)	\$ -	\$ 24,191,050
Governmental Activities Capital Assets, net	\$ 36,501,654	\$ (489,568)	\$ -	\$ 36,012,086

Village/Town of Mount Kisco, New York

Notes to Financial Statements (Continued)
May 31, 2016

Note 3 - Detailed Notes on All Funds (Continued)

	Balance June 1, 2015	Additions	Balance May 31, 2016
Business-type Activities - Water			
Capital Assets, not being depreciated			
Land	\$ 592,276	\$ -	\$ 592,276
Land Improvements - Non-Exhaustible	395,126	-	395,126
Total Capital Assets, not being depreciated	<u>\$ 987,402</u>	<u>\$ -</u>	<u>\$ 987,402</u>
Capital Assets, being depreciated			
Land Improvements	\$ 2,131,866	\$ -	\$ 2,131,866
Buildings and Improvements	2,855,631	-	2,855,631
Infrastructure	29,694,800	8,285	29,703,085
Machinery and Equipment	5,294,356	37,671	5,332,027
Total Capital Assets, being depreciated	<u>39,976,653</u>	<u>45,956</u>	<u>40,022,609</u>
Less Accumulated Depreciation for			
Land Improvements	1,224,353	99,910	1,324,263
Buildings and Improvements	836,550	71,753	908,303
Infrastructure	10,615,852	733,198	11,349,050
Machinery and Equipment	3,274,512	232,734	3,507,246
Total Accumulated Depreciation	<u>15,951,267</u>	<u>1,137,595</u>	<u>17,088,862</u>
Total Capital Assets, being depreciated, net	<u>\$ 24,025,386</u>	<u>\$ (1,091,639)</u>	<u>\$ 22,933,747</u>
Capital Assets, net	<u>\$ 25,012,788</u>	<u>\$ (1,091,639)</u>	<u>\$ 23,921,149</u>
Business-type Activities - Sewer			
Capital Assets, not being depreciated			
Land	\$ 490,511	\$ -	\$ 490,511
Capital Assets, being depreciated			
Land Improvements	\$ 10,610	\$ -	\$ 10,610
Buildings and Improvements	565,288	-	565,288
Infrastructure	6,145,835	19,623	6,165,458
Machinery and Equipment	620,303	25,339	645,642
Total Capital Assets, being depreciated	<u>7,342,036</u>	<u>44,962</u>	<u>7,386,998</u>
Less Accumulated Depreciation for			
Land Improvements	10,610	-	10,610
Buildings and Improvements	477,560	7,038	484,598
Infrastructure	1,934,685	159,682	2,094,367
Machinery and Equipment	553,396	14,055	567,451
Total Accumulated Depreciation	<u>2,976,251</u>	<u>180,775</u>	<u>3,157,026</u>
Total Capital Assets, being depreciated, net	<u>\$ 4,365,785</u>	<u>\$ (135,813)</u>	<u>\$ 4,229,972</u>
Sewer Business-type Activities Capital Assets, net	<u>\$ 4,856,296</u>	<u>\$ (135,813)</u>	<u>\$ 4,720,483</u>

Village/Town of Mount Kisco, New York**Notes to Financial Statements (Continued)****May 31, 2016****Note 3 - Detailed Notes on All Funds (Continued)**

For the government-wide financial statements, depreciation expense was charged to the Village's/Town's functions and programs as follows:

Governmental Activities:

General Government Support	\$ 239,058
Public Safety	443,965
Health	17,076
Transportation	409,814
Economic Opportunity and Development	68,302
Culture and Recreation	290,285
Home and Community Services	<u>239,059</u>

Total Depreciation Expense - Governmental Activities \$ 1,707,559

Business-type Activities:

Water Fund - Home and Community Services	\$ 1,137,595
Sewer Fund - Home and Community Services	<u>180,775</u>

Total Depreciation Expense - Business-type Activities \$ 1,318,370

D. Accrued Liabilities

Accrued liabilities at May 31, 2016 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Payroll and employee benefits	\$ 2,213,417	\$ 65,771	\$ 2,279,188
Health claims	<u>376,046</u>	<u>51,821</u>	<u>427,867</u>
	<u>\$ 2,589,463</u>	<u>\$ 117,592</u>	<u>\$ 2,707,055</u>

The health claim liabilities are based upon estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlement, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and other factors that are considered to be appropriate modifiers of past experience.

Village/Town of Mount Kisco, New York

Notes to Financial Statements (Continued)
May 31, 2016

Note 3 - Detailed Notes on All Funds (Continued)

An analysis of the activity of unpaid health benefit claim liabilities in the fund level and government-wide financial statements is as follows:

	<u>2016</u>	<u>2015</u>
Balance - Beginning of Year	\$ 958,324	\$ 908,645
Provision for Claims and Claims Adjustment Expenses	1,565,733	1,680,512
Claims and Claims Adjustment Expenses Paid	<u>(2,951,924)</u>	<u>(1,630,833)</u>
	<u>\$ 427,867</u>	<u>\$ 958,324</u>

The liability was charged to the following funds.

General	\$ 356,368
Library	19,678
Water	37,078
Sewer	<u>14,743</u>
	<u>\$ 427,867</u>

E. Pension Trusts

Fire Service Awards Program

The Village/Town, pursuant to Article 11-A of the General Municipal Law of the State of New York and legislative resolution, has established a Length of Service Awards Program ("Program") for volunteer firefighters. This Program is a single employer defined benefit plan established as a grantor/rabbi trust and, as such, the assets are subject to the claims of the Village/Town's general creditors. The Program is accounted for in the Village/Town's financial statements within the Pension Trust Fund.

Active volunteer firefighters, upon attainment of age 18, and upon earning 50 or more points in a calendar year after 1990 under the provisions of the Program point system, are eligible to become participants in the Program. Points are granted for the performance of certain activities in accordance with a system established by the Village/Town on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the Program. Participants are fully vested upon attainment of entitlement age, upon death or upon general disablement and after earning five years of service credit. A participant, upon attainment of entitlement age (the later of age 60 or the participant's age after earning 50 program points), shall be able to receive their service award, payable in the form of a ten-year certain and continuous monthly payment life annuity. The monthly benefits are \$20 for each year of service credit, up to a maximum of 40 years. The benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan. The Program also provides disability and death benefits. The trustees of the Program, which are the members of the Village/Town's Board, are authorized to invest the funds in authorized investment vehicles. Administrative costs are paid by the Village/Town from the Special Districts Fund – Fire Protection Districts sub-funds. Separate financial statements are not issued by the Program.

Note 3 - Detailed Notes on All Funds (Continued)

Current membership in the Program is comprised of the following:

<u>Group</u>	<u>December 31, 2015</u>
Active - Vested	115
Active - Non-vested	27
Retirees and beneficiaries currently receiving benefits	3
Terminated employees entitled to benefits but not yet receiving them	1

The Village/Town has retained and designated Buck Consultants, LLC, Inc. to assist in the administration of the Program. Based on the certified calendar year volunteer firefighter listings, Buck Consultants, LLC determines and certifies in writing the amount of the service award to be paid to a participant or to a participant's designated beneficiary. As authorized by the Village/Town, Buck Consultants, LLC then directs the paying agent to pay the service award. No service award benefit payment is made without the written certification from Buck Consultants, LLC and written confirmation to the Village/Town.

Program assets are required to be held in trust by Article 11-A of the General Municipal Law of the State of New York, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the Program. Authority to invest the Program's assets is vested in the Village/Town. Program assets are invested in accordance with a statutory prudent person rule and in accordance with an investment policy adopted by the Village/Town.

The Village/Town is required to retain an actuary to determine the amount of the Village/Town's contributions to the Program. The actuarial firm retained for this purpose is Buck Consultants, LLC. Portions of the following information are derived from a report prepared by the actuary dated December 31, 2015.

Actuarial Present Value of Benefits at December 31, 2015	<u>\$ 3,068,287</u>
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Less: Assets Available for Benefits

	<u>% of total</u>	
Cash	<u>3.66 %</u>	<u>\$ 103,248</u>
Fixed income mutual funds	<u>35.05</u>	<u>988,043</u>
International equities	<u>45.53</u>	<u>1,283,545</u>
US government obligations	<u>6.17</u>	<u>174,050</u>
Other assets	<u>9.58</u>	<u>270,179</u>
Total Net Assets Available for Benefits		<u>2,819,065</u>
Total Funded (Unfunded) Benefits		<u>\$ 249,222</u>

Note 3 - Detailed Notes on All Funds (Continued)

The Village/Town is required to contribute the amounts necessary to finance the Program as actuarially determined using the attained age normal frozen initial liability cost method. The net pension obligation is not amortized on a separate basis. The assumed investment rate of return is 5.5% and there are no cost of living adjustments. In addition, projected salary increases are not applicable since members are volunteers and there are no assumptions regarding post-retirement benefit increases since post-retirement aged members are not projected to earn service credits.

The Village/Town's annual Program cost, the percentage of the annual Program cost contributed to the plan and the net pension obligation for the current and two preceding fiscal years were as follows:

	Annual Required Contribution	Actual Contribution	Percentage of Annual Program Cost Contributed	Net Pension Obligation (Asset)
2016	\$ 271,925	\$ 280,598	103.2 %	\$ (8,673)
2015	280,598	255,000	90.9	25,598
2014	195,751	280,598	143.3	(84,847)

The schedule of funding progress for the defined benefit pension 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 accrued liability for the benefits over time.

The current contributions were charged to the Special Districts Fund – Fire Protection Districts sub-funds. Administrative fees of \$17,988 were also charged to the Special Districts Fund – Fire Protection Districts sub-funds in connection with the administration of the Program.

Ambulance Service Awards Program

The Village/Town, pursuant to Article 11-A of the General Municipal Law of the State of New York and legislative resolution, has established a Length of Service Awards Program ("Program") for volunteer members of the Carmel Ambulance District No. 1. This Program is a single employer defined benefit plan established as a grantor/rabbi trust and, as such, the assets are subject to the claims of the Village/Town's general creditors. The Program is accounted for in the Village/Town's financial statements within the Pension Trust Fund.

A participant, upon attainment of age 18, and upon earning 50 or more points in a calendar year after 2001 under the provisions of the Program point system, are eligible to become participants in the Program. Points are granted for the performance of certain activities in accordance with a system established by the Village/Town on the basis of a statutory list of activities and point values. Participants are fully vested upon attainment of entitlement age, upon death or upon general disablement and after earning five years of service credit. A participant, upon attainment of entitlement age (the later of age 65 or the participant's age after earning five years of service credit), shall be able to receive their service award, payable in the form of a ten-year certain and continuous monthly payment life annuity. The monthly benefits are \$20 for each year of service credit, up to a maximum of 40 years. The benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan. The Program also provides disability and

Note 3 - Detailed Notes on All Funds (Continued)

death benefits. The trustees of the Program, which has been designated by the State Comptroller, are authorized to invest the funds in authorized investment vehicles. Administrative costs are paid by the Village/Town from the Special Districts Fund - Ambulance District No. 1 sub-fund. Separate financial statements are not issued by the Program.

Current membership in the Program is comprised of the following:

<u>Group</u>	<u>December 31, 2015</u>
Active - Vested	22
Active - Non-vested	13
Retirees and beneficiaries currently receiving benefits	12
Terminated employees entitled to benefits but not yet receiving them	2

The Village/Town has retained and designated Buck Consultants, LLC to assist in the administration of the Program. Based on the certified calendar year participant listings, Buck Consultants, LLC determines and certifies in writing the amount of the service award to be paid to a participant or to a participant's designated beneficiary. As authorized by the Village/Town, Buck Consultants, LLC then directs the paying agent to pay the service award. No service award benefit payment is made without the written certification from Buck Consultants, LLC and written confirmation to the Village/Town.

Program assets are required to be held in trust by Article 11-A of the General Municipal Law of the State of New York, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the Program. Authority to invest the Program's assets is vested in the Village/Town. Program assets are invested in accordance with a statutory prudent person rule and in accordance with an investment policy adopted by the Village/Town.

The Village/Town is required to retain an actuary to determine the amount of the Village/Town's contributions to the Program. The actuarial firm retained for this purpose is Buck Consultants, LLC. Portions of the following information are derived from a report prepared by the actuary dated December 31, 2015.

Village/Town of Mount Kisco, New York

Notes to Financial Statements (Continued)
 May 31, 2016

Note 3 - Detailed Notes on All Funds (Continued)

Actuarial Present Value of Benefits at December 31, 2015			<u>\$ 224,628</u>
Less: Assets Available for Benefits			
	<u>% of total</u>		
Cash	10.45 %	\$	28,271
Fixed income mutual funds	19.30		52,228
International equities	61.70		166,924
US government obligations	0.88		2,388
Other assets	7.66		20,732
Total Net Assets Available for Benefits			<u>270,543</u>
Total Funded (Unfunded) Benefits			(45,915)
Less: Unfunded Liability for Prior Service			<u>2,178</u>
Funded (Unfunded) Normal Benefits			<u>\$ (48,093)</u>

The Village/Town is required to contribute the amounts necessary to finance the Program as actuarially determined using the attained age normal frozen initial liability cost method. The net pension obligation is not amortized on a separate basis. The assumed investment rate of return is 6% and there are no cost of living adjustments. In addition, projected salary increases are not applicable since members are volunteers and there are no assumptions regarding post-retirement benefit increases since post-retirement aged members are not projected to earn service credits.

The Village/Town's annual Program cost, the percentage of the annual Program cost contributed to the plan and the net pension obligation for the current and two preceding fiscal years were as follows:

	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage of Annual Program Cost Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2016	\$ 39,758	\$ 39,758	100.00 %	\$ -
2015	38,859	38,859	100.00	-
2014	54,817	60,000	109.46	(5,183)

The schedule of funding progress for the defined benefit pension 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 accrued liability for the benefits over time.

The current contributions were charged to the Special Districts Fund – Ambulance District No. 1 sub-fund. Administrative fees of \$649 were also charged to the Special Districts Fund – Ambulance District No. 1 sub-fund in connection with the administration of the Program.

Village/Town of Mount Kisco, New York

Notes to Financial Statements (Continued)
May 31, 2016

Note 3 - Detailed Notes on All Funds (Continued)

F. Short-Term Capital Borrowings – Bond Anticipation Notes

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

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance June 1, 2015	Maturities and/or Payments	Balance May 31, 2016
Business-Type Activities						
Sewer Fund						
Sewer Relining Village Wide	3/21/2013	3/18/2016	0.64 %	\$ 1,380,000	\$ 60,000	\$ 1,320,000

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 expense of \$9,442 was recorded in the financial statements in the Sewer Fund.

G. Long-Term Liabilities

The schedule below details the changes in the Village's/Town's long-term liabilities:

	Balance as Reported June 1, 2015	Cumulative Effect of Change in Accounting Principle	Balance as Restated June 1, 2015	New Issues/ Additions	Maturities and/or Payments	Balance May 31, 2016	Due Within One Year
Governmental Activities							
Bonds Payable							
Capital Construction	\$ 8,386,539	\$ -	8,386,539	\$ 5,225,000	\$ 6,836,539	\$ 6,775,000	\$ 733,600
Other	325,000	-	325,000	-	105,000	220,000	110,000
Add- unamortized premium on bonds	68,711	-	68,711	581,342	33,210	616,843	-
	8,780,250	-	8,780,250	5,806,342	6,974,749	7,611,843	843,600
Compensated Absences	747,744	-	747,744	117,559	75,000	790,303	79,000
Net Pension Liability	-	366,739	366,739	2,066,087	-	2,432,826	-
Landfill Closure Costs	714,000	-	714,000	-	51,000	663,000	51,000
Other Post Employment Benefit Obligations	12,762,482	-	12,762,482	1,989,872	928,789	13,823,565	-
Governmental Activities Long-Term Liabilities	\$ 23,004,476	\$ 366,739	23,371,215	\$ 9,979,860	\$ 8,029,538	\$ 25,321,537	\$ 973,600
Business-type Activities							
Bonds Payable	\$ 11,893,461	\$ -	11,893,461	\$ 3,620,000	\$ 5,428,461	\$ 10,085,000	\$ 1,431,400
Add- unamortized premium on bonds	98,625	-	98,625	408,613	15,174	492,064	-
	11,992,086	-	11,992,086	4,028,613	5,443,635	10,577,064	1,431,400
Compensated Absences	273,000	-	273,000	50,300	27,300	296,000	29,600
Net Pension Liability	-	109,854	109,854	618,887	-	728,741	-
Other Post Employment Benefit Obligations	364,433	-	364,433	119,213	83,436	400,210	-
Business-type Activities Long-Term Liabilities	\$ 12,629,519	\$ 109,854	12,739,373	\$ 4,817,013	\$ 5,554,371	\$ 12,002,015	\$ 1,461,000

Village/Town of Mount Kisco, New York**Notes to Financial Statements (Continued)****May 31, 2016****Note 3 - Detailed Notes on All Funds (Continued)**

Each governmental fund's liability for compensated absences, net pension liability, landfill closure costs and other post-employment benefit obligations is liquidated by the respective fund. The liability for bonds is liquidated by the Debt Service Fund which is funded primarily by the General Fund.

New York State Environmental Facilities Corporation Bonds

Bonds payable at May 31, 2016 and issued through the New York State Environmental Facilities Corporation were comprised of the following issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at May 31, 2016
Landfill Closure	1999	\$ 1,778,869	April, 2018	.952-3.132 %	\$ 220,000
Water Quality Improvement	2000	16,645,000	July, 2021	.789-3.989	6,500,000
Refunding	2016	150,000	August 2024	2.250-5.00	150,000
					<u>\$ 6,870,000</u>

Bonds Payable

Bonds payable at May 31, 2016 were comprised of the following issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at May 31, 2016
Public Improvements	2007	\$ 8,000,000	February 2027	4.000-4.25 %	\$ 395,000
Various Purposes	2010	3,600,000	May 2017	1.500-4.00	370,000
Public Improvements	2011	745,000	August 2022	3.000-4.00	465,000
Library Improvements	2012	717,000	May 2027	2.000-4.00	550,000
Refunding	2016	1,725,000	August 2024	2.250-5.00	1,725,000
Refunding	2016	5,075,000	August 2026	2.250-5.00	5,000,000
Refunding	2016	1,895,000	August 2024	2.250-5.00	1,705,000
		Total Serial Bonds			<u>10,210,000</u>
		Total Bonds			<u>\$ 17,080,000</u>

Interest expenditures/expense of \$512,640 were recorded in the fund financial statements in the funds indicated below. Interest expense of \$166,813 and \$309,789 were recorded in the government-wide financial statements for governmental and business-type activities, respectively.

Fund	Amount
Governmental Activities	
Debt Service Fund	\$ 202,851
Business-type Activities	
Water Fund	<u>309,789</u>
	<u>\$ 512,640</u>

Village/Town of Mount Kisco, New York

Notes to Financial Statements (Continued)
 May 31, 2016

Note 3 - Detailed Notes on All Funds (Continued)**Payments to Maturity**

The annual requirements to amortize all bonded debt outstanding as of May 31, 2016 including interest payments of \$2,860,306 are as follows:

Year Ending May 31,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 843,600	\$ 268,345	\$ 1,431,400	\$ 361,579	\$ 2,275,000	\$ 629,924
2018	624,000	232,556	1,336,000	316,488	1,960,000	549,044
2019	544,800	204,928	1,395,200	267,497	1,940,000	472,425
2020	565,600	179,412	1,464,400	212,955	2,030,000	392,367
2021	601,400	152,356	1,533,600	152,759	2,135,000	305,115
2022-2026	3,160,600	345,711	2,924,400	156,406	6,085,000	502,117
2027	655,000	9,314	-	-	655,000	9,314
	<u>\$ 6,995,000</u>	<u>\$ 1,392,622</u>	<u>\$ 10,085,000</u>	<u>\$ 1,467,684</u>	<u>\$ 17,080,000</u>	<u>\$ 2,860,306</u>

The above general obligation bonds are direct obligations of the Village/Town for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the Village/Town.

Advance Refunding

During 2015-2016, the Village/Town issued \$8,845,000 in serial bonds with an interest rate of 2.25%-5.00%. The proceeds were used to advance refund \$9,223,589 of outstanding 2004, 2005 and 2007 public improvement serial bonds bearing interest at rates ranging from 3.75% to 4.50%, depending on maturity. The net proceeds of \$9,714,386 (including \$985,323 of issuance premium and after \$115,937 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, 2004, 2005 and 2007 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 \$490,797. This amount and the premium are being netted against the new debt and amortized over the remaining life of the refunded debt. The Village/Town advance refunded the 2004, 2005 and 2007 serial bonds to reduce its total debt service payments by \$1,758,164 and to obtain a net present value economic gain of \$1,523,402. As of May 31, 2016, \$9,223,589 of the bonds are considered defeased.

Pension Plans*New York State and Local Retirement System*

The Village/Town 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

Note 3 - Detailed Notes on All Funds (Continued)

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/Town 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 2016 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	4 A15	18.6 %
	5 A15	15.3
	6 A15	10.4
PFRS	2 384D	25.1
	5 384D	20.1

At May 31, 2016, the Village/Town reported a liability of \$3,161,567 for its proportionate share of the net pension liability of ERS and a liability of \$2,280,099 for its proportionate share of the net pension liability of PFRS. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village/Town'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 May 31, 2016, the Village/Town's proportion was 0.0196979% for ERS which was a decrease of 0.0002088% for ERS its proportions measured May 31, 2015.

Village/Town of Mount Kisco, New York

Notes to Financial Statements (Continued)

May 31, 2016

Note 3 - Detailed Notes on All Funds (Continued)

For the year ended May 31, 2016, the Village/Town recognized pension expense in the government-wide financial statements of \$990,899 for ERS. Pension expenditures of \$761,956 for ERS was recorded in the fund financial statements and were charged to the following funds:

	<u>ERS</u>
General Fund	\$ 500,513
Other Governmental	68,427
Water Enterprise	112,807
Sewer Enterprise	<u>80,209</u>
	<u><u>\$ 761,956</u></u>

At May 31, 2016, the Village/Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>ERS</u>			
	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,293	\$ 3,683	\$ 288,371	\$ 86,380
Changes of assumptions	648,762	194,333	-	-
Net difference between projected and actual earnings on pension plan investments	1,443,285	432,330	-	-
Changes in proportion and differences between Village/Town contributions and proportionate share of contributions	-		72,702	21,777
Village/Town contributions subsequent to the measurement date	<u>133,701</u>	<u>40,049</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 2,238,041</u></u>	<u><u>\$ 670,395</u></u>	<u><u>\$ 361,073</u></u>	<u><u>\$ 108,157</u></u>

\$173,750 was reported as deferred outflows of resources related to ERS, resulting from the Village/Town'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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

<u>Year Ended March 31,</u>	<u>ERS</u>
2017	\$ 573,360
2018	573,360
2019	573,360
2020	545,376

The total pension liability for the March 31, 2015 measurement date was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liabilities to March 31, 2015. The total pension liabilities for the March 31, 2014

Note 3 - Detailed Notes on All Funds (Continued)

measurement date were determined by using an actuarial valuation as of April 1, 2014. Significant actuarial assumptions used in the April 1, 2014 valuation were as follows:

Actuarial cost method	Entry age normal
Inflation	2.5%
Salary scale	3.9% 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, 2015 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 weighting 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	38 %	7.30 %
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return Strategies	3	6.75
Opportunistic Portfolio	3	8.60
Real Assets	3	8.65
Bonds and Mortgages	18	4.00
Cash	2	2.25
Inflation Indexed Bonds	2	4.00
	<u>100 %</u>	

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 fiduciary net position was projected to be available to make all projected future benefit payments

Village/Town of Mount Kisco, New York

Notes to Financial Statements (Continued)

May 31, 2016

Note 3 - Detailed Notes on All Funds (Continued)

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/Town's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Village/Town'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/Town's proportionate share of the ERS net pension liability (asset)	\$ 7,129,105	\$ 3,161,567	\$ (190,832)

The components of the collective net pension liability as of the March 31, 2015 measurement date were as follows:

	ERS
Total pension liability	\$ 172,303,544,000
ERS fiduciary net position	<u>156,253,265,000</u>
Employers' net pension liability	<u>\$ 16,050,279,000</u>
ERS fiduciary net position as a percentage of total pension liability	<u>90.7%</u>

Employer contributions to ERS 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, 2016 represent the employer contribution for the period of April 1, 2016 through May 31, 2016 based on prior year ERS and PFRS wages multiplied by the employers' contribution rate, by tier. Retirement contributions to ERS for the two months ended May 31, 2016 were \$173,750.

Voluntary Defined Contribution Plan

The Village/Town also offers a defined contribution plan to all non-union employees hired on or after June 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/Town will contribute 8%. Employer contributions vest after 366 days of service. No current employees participated in this program.

Compensated Absences

Compensation Absences represents the value of the earned and unused portion of the liability for sick leave. Vacation time is generally taken in the year subsequent to the year earned. Pursuant to the terms of collective bargaining agreements, employees are permitted to accumulate unused sick leave. The maximum is dependent upon length of service and varies with each agreement.

Note 3 - Detailed Notes on All Funds (Continued)

Upon termination, employees will be compensated for such accumulated leave with amounts varying according to the terms of the agreement. The value of all compensated absences has been reflected in the government-wide financial statements.

Landfill Closure Costs

Landfill closure costs represents an estimated amount based on the costs of maintenance and monitoring of the landfill site for the next 20 years. The balance at May 31, 2016 is \$663,000.

Other Post Employment Benefit Obligations

In addition to providing pension benefits, the Village/Town 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/Town may vary according to length of service. Substantially all of the Village's/Town's employees may become eligible for those benefits if they reach normal retirement age while working for the Village/Town. The cost of retiree health care benefits is recognized as an expenditure as claims are paid in the fund financial statements.

The Village's/Town's annual other post employment 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 45. GASB Statement 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. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Village/Town is required to accrue on the government-wide and proprietary fund financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the expected rate of return on the Village's/Town's general assets. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in postretirement benefits are as follows:

Village/Town of Mount Kisco, New York

Notes to Financial Statements (Continued)
May 31, 2016

Note 3 - Detailed Notes on All Funds (Continued)

<u>Year Ended May 31,</u>	<u>Pre-65 Medical</u>	<u>Post-65 Medical</u>	<u>Medicare Part B</u>	<u>Prescription Drug</u>
2016	8.000 %	6.000 %	8.805 %	9.000 %
2017	7.500	6.000	6.000	11.000
2018	7.000	6.000	6.000	10.500
2019	7.250	5.750	5.750	10.000
2020	7.000	5.750	5.750	9.500
2021	6.723	5.682	5.682	8.807
2022	6.447	5.613	5.613	8.113
2023	6.170	5.545	5.545	7.420
2024	5.894	5.477	5.477	6.727
2025	5.617	5.409	5.409	6.034
2026-2035	5.340	5.340	5.340	5.340
2036-2045	5.340	5.340	5.340	5.340
2026-2055	4.923	4.923	4.923	4.923
2056-2065	4.717	4.717	4.717	4.717
2066-2075	4.579	4.579	4.591	4.579
2076+	3.886	3.886	3.886	3.886

The amortization basis is the level dollar method with an open amortization approach with 24 years remaining in the amortization period. The actuarial assumptions included a 4.0% investment rate of return and a 3% inflation rate. The Village/Town currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the projected unit credit method.

The number of participants as of May 31, 2016 was as follows:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Active Employees	58	2	60
Retired Employees	63	1	64
	<u>121</u>	<u>3</u>	<u>124</u>

Village/Town of Mount Kisco, New York

Notes to Financial Statements (Continued)
May 31, 2016

Note 3 - Detailed Notes on All Funds (Continued)

	Governmental Funds	Enterprise Funds	Total
Amortization Component			
Actuarial Accrued Liability as of 6/1/2015	\$ 27,294,601	\$ 1,357,442	\$ 28,652,043
Assets at Market Value	-	-	-
Unfunded Actuarial Accrued Liability	\$ 27,294,601	\$ 1,357,442	\$ 28,652,043
Funded Ratio	0.00%	0.00%	0.00%
Covered Payroll (active plan members)	\$ 3,587,615	\$ 1,083,320	\$ 4,670,935
UAAL as a Percentage of Covered Payroll	760.80%	125.30%	613.41%
Annual Required Contribution	\$ 2,217,429	\$ 125,711	\$ 2,343,140
Interest on Net OPEB Obligation	510,499	14,577	525,076
Adjustment to Annual Required Contribution	(738,056)	(21,075)	(759,131)
Annual OPEB Cost	1,989,872	119,213	2,109,085
Contributions Made	(928,789)	(83,436)	(1,012,225)
Increase in Net OPEB Obligation	1,061,083	35,777	1,096,860
Net OPEB Obligation - Beginning of Year	12,762,482	364,433	13,126,915
Net OPEB Obligation - End of Year	\$ 13,823,565	\$ 400,210	\$ 14,223,775

The Village/Town 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 year are as follows:

Governmental Funds			
Fiscal Year Ended May 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 1,989,872	46.68 %	\$ 13,823,565
2015	2,642,701	34.06	12,762,482
2014	2,551,767	30.31	11,020,005
Enterprise Funds			
Fiscal Year Ended May 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 119,213	69.99 %	\$ 400,210
2015	99,152	83.91	364,433
2013	95,758	79.68	348,484

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 accrued liability for the benefits over time.

I. 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	Capital Projects Fund	Debt Service Fund	Non -Major Governmental Funds	Total
General Fund	\$ 826,371	\$ 497,751	\$ 1,798,560	\$ 3,122,682
Debt Service Fund	-	-	25,994	25,994
Non-Major Governmental Funds	-	658,788	-	658,788
	<u>\$ 826,371</u>	<u>\$ 1,156,539</u>	<u>\$ 1,824,554</u>	<u>\$ 3,807,464</u>

Transfers are used to 1) move funds from the operating funds to the Debt Service Fund as debt service principal and interest payments become due, 2) move amounts earmarked in the operating funds to fulfill commitments for other operating fund expenditures and 3) move amounts earmarked in the operating funds to fulfill commitments for Capital Projects Fund expenditures

J. 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 debt proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Capital Projects - the component of net position that reports the amounts restricted for capital projects, exclusive of unexpended bond proceeds and unrestricted interest earnings.

Restricted for Future Capital Projects - the component of net position that reports the amounts restricted for fire capital improvements set aside for fire department and represents a segregation of the funds for capital improvements in accordance with Section 6-c of the General Municipal Law of the State of New York.

Note 3 - Detailed Notes on All Funds (Continued)

Restricted for Open Space - the component of net position that has been established pursuant to Section 6c of General Municipal Law. The funds may be used to finance all or part of the construction or acquisition of a specific type of improvement subject to approval by the voters.

Restricted for Other Purposes - the component of net position that has been restricted for capital use in the enterprise funds.

Restricted for Unemployment Benefits - the component of net position that has been established to set aside funds to be used for specific purpose in accordance with Section 6-m of the General Municipal Law of the State of New York.

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, or in accordance with Section 6-h of the General Municipal law.

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.

Restricted for Special Purposes - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by either external parties and/or statute.

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

Village/Town of Mount Kisco, New York

Notes to Financial Statements (Continued)
May 31, 2016

Note 3 - Detailed Notes on All Funds (Continued)

K. Fund Balances

	2016					2015				
	General Fund	Capital Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Nonspendable										
Prepaid expenditures	\$ 3,488	\$ -	\$ -	\$ -	\$ 3,488	\$ 11,314	\$ -	\$ -	\$ -	\$ 11,314
Restricted										
Unemployment benefits	29,068	-	-	4,413	33,481	29,024	-	-	4,410	33,434
Future capital projects	56	-	-	-	56	56	-	-	-	56
Open space	741,635	-	-	-	741,635	637,193	-	-	-	637,193
Special purposes	-	-	-	36,935	36,935	-	-	-	41,302	41,302
Capital projects	-	1,064,726	-	-	1,064,726	-	1,388,384	-	-	1,388,384
Debt service	127,633	-	300,485	-	428,118	159,891	-	910,830	-	1,070,721
Total Restricted	898,392	1,064,726	300,485	41,348	2,304,951	826,164	1,388,384	910,830	45,712	3,171,090
Committed										
For tax stabilization	86,180	-	-	-	86,180	118,000	-	-	-	118,000
For capital projects	1,317,052	-	-	-	1,317,052	321,089	-	-	-	321,089
Total Committed	1,403,232	-	-	-	1,403,232	439,089	-	-	-	439,089
Assigned										
Purchases on order										
General government support	1,100	-	-	-	1,100	34,867	-	-	-	34,867
Public safety	10,995	-	-	-	10,995	19,119	-	-	-	19,119
Culture and recreation	-	-	-	-	-	12,503	-	-	1,151	13,654
Home and community services	4,356	-	-	-	4,356	7,609	-	-	-	7,609
	16,451	-	-	-	16,451	74,098	-	-	1,151	75,249
For Subsequent year's expenditures	168,336	-	16,395	-	184,731	214,502	-	88,610	-	303,112
Non-Major Funds										
Public Library	-	-	-	173,704	173,704	-	-	-	39,059	39,059
Section 8 Housing	-	-	-	15,482	15,482	-	-	-	28,913	28,913
	168,336	-	16,395	189,186	373,917	214,502	-	88,610	67,972	371,084
Total Assigned	184,787	-	16,395	189,186	390,368	288,600	-	88,610	69,123	446,333
Unassigned	7,875,204	-	-	-	7,875,204	7,780,645	-	-	-	7,780,645
Total Fund Balances	\$ 10,365,103	\$ 1,064,726	\$ 316,880	\$ 230,534	\$ 11,977,243	\$ 9,345,812	\$ 1,388,384	\$ 999,440	\$ 114,835	\$ 11,848,471

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described above. 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.

Prepaid Expenditures has been established to account for payments made in advance. The amount is classified as nonspendable to indicate that funds are not "available" for appropriation or expenditure even though they are a component of current assets.

Tax Stabilization - The Village/Town has committed to set aside funds to be used to balance future budgets, revenue shortfalls and unanticipated expenditures.

Capital Projects - The Village/Town has committed to set aside funds to be used to pay future capital projects.

Purchases on order are assigned and represent the Village/Town's intention to honor the contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transactions.

Subsequent Year's Expenditures at May 31, 2016, represents that the Village/Town Board has assigned the above amounts to be appropriated for the ensuing year's budget.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted or assigned.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

The Village/Town, in common with other municipalities, receives numerous notices of claims for money damages arising from claims such as false arrest, property damage or personal injury. Of the claims currently pending, none are expected to have a material effect on the Village's/Town's financial position, if adversely settled.

The Village/Town is also defendant in numerous certiorari proceedings, the results of which may require tax refunds on the part of the Village/Town if existing assessment rolls are modified based upon the outcome of litigation proceedings. The amount of the refunds, if any, are not expected to have a material effect on the Village's/Town's financial position. Any payments resulting from adverse decisions will be funded in the year the payment is made.

B. Contingencies

The Village/Town participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Single Audit Act. Accordingly, the Village/Town'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/Town anticipates such amounts, if any, to be immaterial.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

C. Risk Management

The Village/Town purchases various insurance coverages to reduce its exposure to loss. The Village/Town maintains general liability and public official's liability insurance coverage, with policy limits of \$2 million and \$1 million, respectively. The Village/Town also maintains an umbrella policy which provides coverage up to \$10 million per claim (\$20 million aggregate). Workers' compensation is secured with statutory coverages. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Village/Town, along with many other municipal entities, participates in the Municipal Employees Benefits Consortium (MEBCO). MEBCO was formed in April 1988 pursuant to an act of the Board of Legislators of the County of Westchester. This act provides cities, towns and villages throughout Westchester County with an opportunity to participate in a cooperative program for providing health benefits to municipal employees by entering into an inter-municipal agreement pursuant to Article 5G of the General Municipal Law. MEBCO is a public entity risk pool currently operating a common risk management and health insurance program for its members. The purpose of the pool is to stabilize the cost of medical benefits provided to employees. MEBCO functions primarily as a claims service whereby each participating municipality retains its own risk. MEBCO does not transfer risk since charges to each municipality are ultimately determined by their individual claims/loss experience.

The Village/Town is self-insured for claims arising from unemployment benefit cases. Unemployment benefits are accounted for in the General, Water, and Public Library Funds. Incurred but not reported claims are not material.

Effective June 1, 2003, the Village/Town joined the New York Municipal Insurance Reciprocal (NYMIR). NYMIR is an insurance reciprocal formed in 1993 composed of many other municipal entities throughout New York State, and is licensed by the New York State Insurance Department to provide property and casualty insurance coverage, including property, general liability, law enforcement, public official, and automobile liability insurance.

Note 5 - Additional Disclosure

A. CERCLA Claim

CERCLA stands for the Comprehensive Environmental Response, Compensation, and Liability Act, known also as Superfund. It was passed in 1980 in response to some alarming and decidedly unacceptable hazardous waste practices and management going on in the 1970s.

Its purpose is to identify sites where hazardous materials threaten the environment and or public health as a result of leakage, spillage, or general mismanagement (particularly the lack of a good hazardous waste removal plan), and then to identify the responsible party

Plaintiffs commenced CERCLA claims against various potentially responsible parties for environmental contamination cleanup of a former uranium development site. Answers have not yet been submitted and the Village and Urban Renewal Agency are being represented by legal counsel. The Village/Town owns adjoining site (vacant land) and the Mount Kisco Urban Renewal Agency once owned the site which was redeveloped in accordance with redevelopment plan. All remediation was done by contractors whose work was reviewed and authorized by various County, State and Federal authorities. Motions to dismiss have been filed by the various defendants, but no decisions have been issued. Counsel cannot determine the risk of loss or potential amounts for this case.

Note 5 - Additional Disclosure (Continued)

B. Pending Sale of Land

In August 2000, the Village/Town issued a bond anticipation note in the amount of \$3,650,000 to settle an action which challenged the rezoning of approximately a fifty acre parcel of land from residential use to preservation development. The Village/Town received certain parcels of land (aggregating to 52 acres) as part of the settlement. The Village/Town repaid the amount of \$2,655,000 of the bond anticipation note from its' available reserve funds and the balance of \$995,000 with an issued serial bond. This serial bond was subsequently paid through annual principal payments and finally retired on August 15, 2015 through the utilization of unspent bond proceeds of \$611,411 in the debt service fund.

In December 2005, the Village/Town entered into an agreement to sell a portion of these parcels (18.5 acres of the 52 acres) to the owners of an adjacent parcel, not owned by the Village/Town in the amount of \$3,500,000 to construct a senior residence facility. As part of the agreement, the Village/Town conditionally settled a civil rights lawsuit brought against the Village/Town by the owner of said adjacent parcel, and the Village/Town also conditionally contracted to acquire ownership of said adjacent parcel of 4.2 acres. Through the execution of a third amendment to the agreement in 2009, the Village would be paid an additional \$500,000, bringing the total purchase price to \$4,000,000. In 2012, per the agreement, the improvements to the adjacent improved parcel were demolished and removed at the owner's expense. In addition as of September 2016 the Village/Town had foreclosed on the 4.2 acre parcel and filed a deed.

During the fiscal year ended May 31, 2007 the Village/Town received a \$1,500,000 "nonrefundable" deposit related to the pending agreement. The nonrefundable deposit had been recorded as revenue, \$944,137 was recorded in the Debt Service Fund (to offset the issued debt), and \$555,863 was recorded in the General Fund. The most recent signed amendment to the agreement (tenth Amendment) called for an extension until May 30, 2015. A payment for \$150,000 (\$50,000 per month for three months) was received and recorded as revenue by the Village/Town for consideration of extending the agreement until the agreements expiration date of August 31, 2015. An 11th Amendment was prepared, and not executed, therefore the pending contractual sale of the property expired.

As of January 2017 the sale and transfer of the parcel (18.5 acres) had not been completed and a complete discontinuance of the litigation with prejudice of the underlying law suit had been filed. There have been several notices of claim which have been filed by involved parties and several litigation cases all of which have either been withdrawn or decided in the Village/Town's favor. Nevertheless, there continues to exist two notices of claim for which additional litigation can still be filed. The Village/Town is comfortable with its position in the event of litigation. The Village/Town had obtained general releases from the agreement and offered multiple times to close this non-contingent agreement. Per the expired agreement, even if the Village/Town were liable for some claim, the Village/Town's liability is specifically limited to the parcel (18.5 acres).

As of February 2017 renegotiations have begun, however no new contract exists at this time. The agreement is still awaiting third party approvals.

Note 6 – Subsequent Event

Voluntary Transfer of Housing Choice Voucher Program Units from the Village of Mount Kisco (NY176) to the Mount Kisco Housing Authority (NY038)

On November 22, 2016 the Office of Housing Voucher Programs approved the transfer and assigned January 1, 2017, as the effective date of the transfer. The Department recognizes that NY038, a Combined Public Housing Agency (PHA), meets the criteria listed in PIH Notice 2015-22, and that the transfer will be in the best interest of the program participants. NY038 will use the total 109 units, in the same geographic area and will serve the same population as NY176. This transfer does not include any Special Purpose vouchers or programs.

As part of this transfer, the Financial Management Center (FMC) will be responsible for amending NY038's Consolidated Annual Contributions Contract for the transferred units. Also, the Field Office and the FMC will ensure that NY176's unrestricted net position (UNP) and restricted net position (RNP) are calculated and reconciled with cash and cash in investments. Upon reconciliation, NY 176's UNP balance must be transferred to NY038; however, NY176's RNP balance has to be returned to HUD because the RNP balance will be obligated under NY038 as HUD-held reserves, in compliance with cash management requirements. The divesting PHA will work with the receiving PHA and the FMC to transfer the UNP and RNP funds, respectively. A Repayment agreement must be established immediately should HCV funds be unaccounted for during the reconciliation of UNP and RNP balances.

The Field Office will ensure the NY176 has procured a close-out financial review per needed to close-out its HCV program for Fiscal Year 2016 in the PIH sub-systems. The close-out reporting requirements include NY176's timely and complete reporting in the Voucher Management System (VMS) for all the months in operations prior to the effective date of the voluntary transfer.

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Village/Town of Mount Kisco, New York

**Required Supplementary Information - Other Post Employment Benefits
Schedule of Funding Progress
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, 2013	\$ -	\$ 31,741,901	\$ 31,741,901	- %	\$ 7,410,119	428.36 %
June 1, 2014	-	26,157,149	26,157,149	-	7,490,515	349.20
June 1, 2015	-	28,652,043	28,652,043	- *	4,670,935	613.41

* Note - The decrease in the covered payroll and accrued liability reflects the 28 police officers who no longer work for the Village and are no longer eligible for the retiree group health benefits.

Village/Town of Mount Kisco, New York

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

	<u>2016</u>
Village/Town's proportion of the net pension liability (asset)	<u>0.0196979%</u>
Village/Town's proportionate share of the net pension liability (asset)	<u>\$ 3,161,567</u>
Village/Town's covered-employee payroll	<u>\$ 4,829,075</u>
Village/Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>65.47%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>90.70%</u>

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

(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/Town of Mount Kisco, New York

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

	<u>2016</u>
Contractually required contribution	\$ 767,284
Contributions in relation to the contractually required contribution	<u>(767,284)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Village/Town's covered-employee payroll	<u>\$ 4,640,736</u>
Contributions as a percentage of covered-employee payroll	<u>16.53%</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/Town of Mount Kisco, New York

**Required Supplementary Information - Schedule of Funding Progress
Pension Trust Fund - Fire Service Awards Program
Last Six Fiscal Years**

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
2010	\$ 1,422,015	\$ 2,098,652	\$ 676,637	68 %
2011	1,623,386	2,251,333	627,947	72
2012	2,000,801	2,658,878	658,077	75
2013	2,397,186	2,811,943	414,757	85
2014	2,653,410	2,973,864	320,454	89
2015	2,819,065	3,068,287	249,222	92

Village/Town of Mount Kisco, New York

**Required Supplementary Information - Schedule of Contributions
Pension Trust Fund - Fire Service Awards Program
Last Six Fiscal Years**

<u>Year Ended May 31,</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2011	\$ 255,302	\$ 204,808	80.2 %
2012	262,915	265,297	100.9
2013	254,100	254,100	100.0
2014	195,751	280,598	143.3
2015	280,598	255,000	90.9
2016	271,925	280,598	103.2

Village/Town of Mount Kisco, New York

**Required Supplementary Information - Schedule of Funding Progress
Pension Trust Fund - Ambulance Service Awards Program
Last Six Fiscal Years**

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio
2010	\$ 35,262	\$ 120,464	\$ 85,202	29 %
2011	70,924	145,011	74,087	49
2012	125,157	167,217	42,060	75
2013	199,954	190,143	(9,811)	105
2014	239,864	199,342	(40,522)	120
2015	270,543	224,628	(45,915)	120

Village/Town of Mount Kisco, New York

Required Supplementary Information - Schedule of Contributions

Pension Trust Fund - Ambulance Service Awards Program

Last Six Fiscal Years

<u>Year Ended May 31,</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2011	\$ 45,479	\$ 45,479	100.0 %
2012	54,025	54,025	100.0
2013	58,799	58,799	100.0
2014	54,817	60,000	109.5
2015	38,859	38,859	100.0
2016	39,758	39,758	100.0

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Village/Town of Mount Kisco, New York

**General Fund
Comparative Balance Sheet
May 31,**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and equivalents	<u>\$ 14,503,704</u>	<u>\$ 14,933,319</u>
Taxes receivable, net of allowance for uncollectible taxes of \$820,367 in 2016 and \$751,320 in 2015	<u>990,946</u>	<u>1,130,324</u>
Other receivables		
Accounts, net of allowance for uncollectible amounts of \$44,758 in 2016 and \$65,266 in 2015	427,605	460,964
State and Federal aid	619,426	177,042
Due from other governments	927,092	397,096
Due from other funds	<u>32,607</u>	<u>15,442</u>
	<u>2,006,730</u>	<u>1,050,544</u>
Prepaid expenditures	<u>3,488</u>	<u>11,314</u>
Total Assets	<u>\$ 17,504,868</u>	<u>\$ 17,125,501</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 451,606	\$ 413,413
Accrued liabilities	2,531,399	2,798,760
Due to retirement systems	122,886	492,374
Due to other governments	2,477,974	2,534,426
Due to other funds	142,318	464,858
Unearned revenues	<u>530,754</u>	<u>215,807</u>
Total Liabilities	6,256,937	6,919,638
Deferred inflows of resources		
Deferred tax revenues	<u>882,828</u>	<u>860,051</u>
Total Liabilities and Deferred Inflows of Resources	<u>7,139,765</u>	<u>7,779,689</u>
Fund balance		
Nonspendable	3,488	11,314
Restricted	898,392	826,164
Committed	1,403,232	439,089
Assigned	184,787	288,600
Unassigned	<u>7,875,204</u>	<u>7,780,645</u>
Total Fund Balance	<u>10,365,103</u>	<u>9,345,812</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 17,504,868</u>	<u>\$ 17,125,501</u>

Village/Town of Mount Kisco, New York

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

	2016			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 14,606,780	\$ 14,520,581	\$ 14,520,581	\$ -
Other tax items	330,000	356,218	357,098	880
Non-property taxes	1,890,000	2,060,236	2,060,236	-
Departmental income	1,649,635	1,909,513	2,010,633	101,120
Intergovernmental charges	681,000	656,721	670,916	14,195
Use of money and property	433,130	427,673	437,103	9,430
Licenses and permits	106,500	92,979	99,348	6,369
Fines and forfeitures	488,000	430,457	430,607	150
Sale of property and compensation for loss	13,700	17,758	54,570	36,812
State aid	331,068	333,487	512,906	179,419
Federal aid	70,000	196,908	203,021	6,113
Miscellaneous	126,544	66,904	187,641	120,737
Total Revenues	20,726,357	21,069,435	21,544,660	475,225
EXPENDITURES				
Current				
General government support	3,698,914	2,506,954	2,383,236	123,718
Public safety	5,400,306	7,608,869	7,480,297	128,572
Health	298,130	434,354	420,534	13,820
Transportation	1,060,583	1,026,942	914,623	112,319
Economic opportunity and development	298,507	298,507	281,710	16,797
Culture and recreation	1,157,871	1,131,687	1,102,532	29,155
Home and community services	1,169,469	1,233,004	1,199,339	33,665
Employee benefits	5,614,364	3,760,031	3,630,468	129,563
Total Expenditures	18,698,144	18,000,348	17,412,739	587,609
Excess of Revenues Over Expenditures	2,028,213	3,069,087	4,131,921	1,062,834
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	-	-
Transfers out	(2,316,813)	(3,143,185)	(3,112,630)	30,555
Total Other Financing Uses	(2,316,813)	(3,143,185)	(3,112,630)	30,555
Net Change in Fund Balance	(288,600)	(74,098)	1,019,291	1,093,389
FUND BALANCE				
Beginning of Year	288,600	74,098	9,345,812	9,271,714
End of Year	\$ -	\$ -	\$ 10,365,103	\$ 10,365,103

2015			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 14,294,121	\$ 14,110,816	\$ 14,112,208	\$ 1,392
340,000	336,450	382,680	46,230
1,870,000	2,112,445	2,119,075	6,630
1,836,951	2,001,449	2,021,128	19,679
672,960	669,244	734,112	64,868
368,035	389,965	389,965	-
102,500	83,317	123,182	39,865
510,000	493,380	493,380	-
13,700	99,807	115,460	15,653
371,068	288,257	303,138	14,881
62,242	192,549	202,878	10,329
139,544	61,797	63,821	2,024
20,581,121	20,839,476	21,061,027	221,551
3,646,187	2,424,338	2,342,955	81,383
5,467,708	5,659,075	5,604,705	54,370
290,464	412,771	407,424	5,347
913,986	1,072,878	1,060,966	11,912
286,071	287,862	283,151	4,711
1,159,172	1,057,386	1,031,393	25,993
1,125,837	1,114,521	1,096,255	18,266
5,439,312	6,043,310	6,033,312	9,998
18,328,737	18,072,141	17,860,161	211,980
2,252,384	2,767,335	3,200,866	433,531
-	121,284	150,000	28,716
(2,464,530)	(2,888,619)	(2,887,001)	1,618
(2,464,530)	(2,767,335)	(2,737,001)	30,334
(212,146)	-	463,865	463,865
212,146	-	8,881,947	8,881,947
\$ -	\$ -	\$ 9,345,812	\$ 9,345,812

Village/Town of Mount Kisco, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended May 31, 2016

(With Comparative Actuals for 2015)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2015 Actuals
REAL PROPERTY TAXES	\$ 14,606,780	\$ 14,520,581	\$ 14,520,581	\$ -	\$ 14,112,208
OTHER TAX ITEMS					
Payments in lieu of taxes	175,000	140,790	141,670	880	178,245
Interest and penalties on real property taxes	155,000	215,428	215,428	-	204,435
	330,000	356,218	357,098	880	382,680
NON-PROPERTY TAXES					
Franchise fees	215,000	263,641	263,641	-	336,238
Non-property tax distribution from County	1,455,000	1,584,010	1,584,010	-	1,556,207
Utilities gross receipts taxes	220,000	212,585	212,585	-	226,630
	1,890,000	2,060,236	2,060,236	-	2,119,075
DEPARTMENTAL INCOME					
Charges for tax advertising	5,000	5,000	5,800	800	6,481
Clerk fees	11,000	10,765	22,819	12,054	14,643
Police fees	5,000	915	915	-	3,515
Safety inspection fees	175,000	449,584	461,515	11,931	274,194
Landlord registry fee	3,500	3,500	3,690	190	3,600
Health fees	40,000	44,826	45,600	774	39,098
Parking meters and permit fees	867,500	878,114	895,012	16,898	867,613
Parks and recreation charges	372,385	348,407	383,903	35,496	434,179
Recreation concessions	4,100	4,100	4,100	-	4,000
Pool fees	145,000	141,529	141,529	-	145,425
Administrative charges	-	-	-	-	200,000
Teen center/teahouse	1,500	795	795	-	1,910
Zoning fees	1,650	1,650	5,540	3,890	4,500
Planning board fees	11,000	15,873	34,960	19,087	16,400
Architectural review board fees	6,000	4,725	4,725	-	4,830
Emergency tenant protection charges	1,000	(270)	(270)	-	740
	1,649,635	1,909,513	2,010,633	101,120	2,021,128

INTERGOVERNMENTAL CHARGES

Fire protection services for other governments	610,000	614,900	629,095	14,195	614,527
Police protection services for other governments	10,000	-	-	-	16,303
Snow removal services for other governments	35,000	23,600	23,600	-	81,902
Senior nutrition services for other governments	21,000	16,611	16,611	-	20,181
Election services for other governments	5,000	1,610	1,610	-	1,199
	<u>681,000</u>	<u>656,721</u>	<u>670,916</u>	<u>14,195</u>	<u>734,112</u>

USE OF MONEY AND PROPERTY

Earnings on investments	25,000	18,773	18,773	-	16,718
Rental of real property	408,130	408,900	418,330	9,430	373,247
	<u>433,130</u>	<u>427,673</u>	<u>437,103</u>	<u>9,430</u>	<u>389,965</u>

LICENSES AND PERMITS

Business and occupational licenses	25,000	25,000	27,700	2,700	29,300
Dog licenses	1,500	1,500	2,320	820	1,742
Permit fees	78,000	64,479	67,274	2,795	90,793
Marriage licenses	2,000	2,000	2,054	54	1,347
	<u>106,500</u>	<u>92,979</u>	<u>99,348</u>	<u>6,369</u>	<u>123,182</u>

FINES AND FORFEITURES

	<u>488,000</u>	<u>430,457</u>	<u>430,607</u>	<u>150</u>	<u>493,380</u>
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**SALE OF PROPERTY AND COMPENSATION
FOR LOSS**

Minor sales	8,700	8,700	14,722	6,022	8,660
Sale of equipment	5,000	3,000	3,000	-	-
Insurance recoveries	-	6,058	36,848	30,790	15,537
Other	-	-	-	-	91,263
	<u>13,700</u>	<u>17,758</u>	<u>54,570</u>	<u>36,812</u>	<u>115,460</u>

STATE AID

Per capita	79,898	79,898	91,475	11,577	91,461
Mortgage tax	250,000	250,000	402,131	152,131	207,189
Youth programs	1,170	-	-	-	1,170
Other	-	3,589	19,300	15,711	3,318
	<u>331,068</u>	<u>333,487</u>	<u>512,906</u>	<u>179,419</u>	<u>303,138</u>

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Village/Town of Mount Kisco, New York

General Fund
Schedule of Revenues and Other Financing Sources Compared to Budget (Continued)
Year Ended May 31, 2016
(With Comparative Actuals for 2015)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2015 Actuals
FEDERAL AID					
Senior nutrition	\$ 70,000	\$ 74,390	\$ 77,842	\$ 3,452	\$ 77,571
Drug Free Communities	-	122,518	122,518	-	125,307
Transportation aid	-	-	2,661	2,661	-
	<u>70,000</u>	<u>196,908</u>	<u>203,021</u>	<u>6,113</u>	<u>202,878</u>
MISCELLANEOUS					
Gift and donations	40,000	40,000	54,862	14,862	44,363
Refunds of prior year's expenditures	-	-	101,638	101,638	-
Other	<u>86,544</u>	<u>26,904</u>	<u>31,141</u>	<u>4,237</u>	<u>19,458</u>
	<u>126,544</u>	<u>66,904</u>	<u>187,641</u>	<u>120,737</u>	<u>63,821</u>
TOTAL REVENUES	<u>20,726,357</u>	<u>21,069,435</u>	<u>21,544,660</u>	<u>475,225</u>	<u>21,061,027</u>
OTHER FINANCING SOURCES					
Sale of real property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 20,726,357</u>	<u>\$ 21,069,435</u>	<u>\$ 21,544,660</u>	<u>\$ 475,225</u>	<u>\$ 21,211,027</u>

Village/Town of Mount Kisco, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended May 31, 2016

(With Comparative Actuals for 2015)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2015 Actuals
GENERAL GOVERNMENT SUPPORT					
Board of Trustees	\$ 20,700	\$ 25,407	\$ 22,284	\$ 3,123	\$ 20,109
Justice	343,720	324,372	302,389	21,983	272,968
Mayor	9,040	9,040	7,459	1,581	8,441
Supervisor	1,620	2,374	2,114	260	2,508
Manager	157,960	152,766	131,103	21,663	126,887
Treasurer	244,011	252,511	241,893	10,618	242,226
Receiver of Taxes	96,086	99,744	97,743	2,001	77,848
Assessor	136,746	128,433	125,006	3,427	132,373
Clerk	42,875	40,867	32,931	7,936	34,256
Law	223,000	430,769	430,343	426	190,521
Engineer	5,000	20,131	20,131	-	633
Elections	29,391	55,031	51,880	3,151	25,813
Board of Assessment and Review	100	100	29	71	91
Buildings	177,431	152,697	139,112	13,585	130,722
Superintendent of Public Works	250	250	166	84	-
Central garage	470,098	456,142	449,290	6,852	491,093
Central data processing	60,646	60,646	45,079	15,567	70,469
Unallocated insurance	275,000	186,393	186,393	-	242,747
Municipal association dues	5,800	6,602	6,602	-	5,852
Judgments and claims	185,000	77,083	77,083	-	242,789
Taxes and assessments	10,000	10,000	-	10,000	-
Metropolitan commuter transportation mobility tax	25,186	15,596	14,206	1,390	24,609
Contingency	1,179,254	-	-	-	-
	<u>3,698,914</u>	<u>2,506,954</u>	<u>2,383,236</u>	<u>123,718</u>	<u>2,342,955</u>

PUBLIC SAFETY

Police	3,777,758	6,048,530	6,038,094	10,436	4,197,936
Jail	1,000	1,000	-	1,000	336
Parking	345,227	305,872	267,904	37,968	258,824
Fire department	812,236	812,986	744,793	68,193	739,459
Control of animals	50,000	9,943	8,237	1,706	5,301
Safety inspection	414,085	430,538	421,461	9,077	392,900
Civil defense	-	-	(192)	192	9,949
	<u>5,400,306</u>	<u>7,608,869</u>	<u>7,480,297</u>	<u>128,572</u>	<u>5,604,705</u>

HEALTH

Drug and alcohol abuse prevention	7,700	130,720	127,411	3,309	128,512
Registrar of Vital Statistics	29,623	42,827	40,591	2,236	25,214
Ambulance	260,807	260,807	252,532	8,275	253,698
	<u>298,130</u>	<u>434,354</u>	<u>420,534</u>	<u>13,820</u>	<u>407,424</u>

TRANSPORTATION

Street maintenance	638,493	623,318	599,649	23,669	554,604
Snow removal	235,000	202,950	114,300	88,650	315,989
Street lighting	187,090	200,674	200,674	-	190,373
	<u>1,060,583</u>	<u>1,026,942</u>	<u>914,623</u>	<u>112,319</u>	<u>1,060,966</u>

**ECONOMIC OPPORTUNITY AND
DEVELOPMENT**

Senior nutrition program	<u>298,507</u>	<u>298,507</u>	<u>281,710</u>	<u>16,797</u>	<u>283,151</u>
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CULTURE AND RECREATION

Parks, playgrounds and recreation	999,418	963,380	941,769	21,611	873,169
Youth services	-	5,186	4,862	324	3,737
Historian	2,700	2,700	1,689	1,011	1,990
Celebrations	8,000	9,455	9,455	-	11,011
Programs for the aging	137,543	140,756	135,971	4,785	133,392
Adult recreation	10,210	10,210	8,786	1,424	8,094
	<u>1,157,871</u>	<u>1,131,687</u>	<u>1,102,532</u>	<u>29,155</u>	<u>1,031,393</u>

(Continued)

Village/Town of Mount Kisco, New York

General Fund

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

Year Ended May 31, 2016

(With Comparative Actuals for 2015)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>2015 Actuals</u>
HOME AND COMMUNITY SERVICES					
Zoning	\$ 8,400	\$ 24,358	\$ 23,855	\$ 503	\$ 5,036
Architectural review	1,350	1,350	600	750	634
Planning	110,400	116,911	115,517	1,394	99,897
Refuse and garbage collection	955,649	998,595	990,700	7,895	918,090
Community beautification	13,795	18,792	16,494	2,298	14,197
Shade trees	75,000	65,447	48,850	16,597	56,714
Emergency tenant protection	850	1,470	1,470	-	-
Conservation advisory council	4,025	6,081	1,853	4,228	1,687
	<u>1,169,469</u>	<u>1,233,004</u>	<u>1,199,339</u>	<u>33,665</u>	<u>1,096,255</u>
EMPLOYEE BENEFITS					
State retirement	595,392	500,513	500,513	-	664,166
State retirement - Police	858,407	(28,874)	(28,874)	-	1,222,518
Social security benefits	566,668	290,847	290,847	-	552,260
Workers' compensation benefits	750,000	760,690	667,787	92,903	748,520
Unemployment benefits	-	11,401	11,401	-	2,652
Health, dental and life insurance	2,498,897	1,881,204	1,868,438	12,766	2,549,337
Service awards program	345,000	344,250	320,356	23,894	293,859
	<u>5,614,364</u>	<u>3,760,031</u>	<u>3,630,468</u>	<u>129,563</u>	<u>6,033,312</u>
TOTAL EXPENDITURES	<u>18,698,144</u>	<u>18,000,348</u>	<u>17,412,739</u>	<u>587,609</u>	<u>17,860,161</u>

OTHER FINANCING USES

Transfers out

Public Library Fund	1,774,020	1,774,020	1,774,020	-	1,739,236
Debt Service Fund	500,793	500,793	497,751	3,042	683,294
Section 8 Housing Fund	42,000	42,000	14,488	27,512	40,382
Capital Projects Fund	-	826,372	826,371	1	424,089
	<u>2,316,813</u>	<u>3,143,185</u>	<u>3,112,630</u>	<u>30,555</u>	<u>2,887,001</u>
TOTAL OTHER FINANCING USES					
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 21,014,957</u>	<u>\$ 21,143,533</u>	<u>\$ 20,525,369</u>	<u>\$ 618,164</u>	<u>\$ 20,747,162</u>

Village/Town of Mount Kisco, New York

**Capital Projects Fund
Comparative Balance Sheet
May 31,**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and equivalents	\$ 1,224,593	\$ 1,152,953
Due from other funds	<u>140,277</u>	<u>460,979</u>
Total Assets	<u><u>\$ 1,364,870</u></u>	<u><u>\$ 1,613,932</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 102,256	\$ 13,368
Retainages payable	46,940	92,295
Due to other funds	31,363	300
Unearned revenues	<u>119,585</u>	<u>119,585</u>
Total Liabilities	300,144	225,548
Fund balance		
Restricted	<u>1,064,726</u>	<u>1,388,384</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,364,870</u></u>	<u><u>\$ 1,613,932</u></u>

Village/Town of Mount Kisco, New York

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

	<u>2016</u>	<u>2015</u>
REVENUES		
State aid	\$ -	\$ 213,917
Federal aid	-	43,898
Miscellaneous	<u>35,000</u>	<u>35,000</u>
Total Revenues	35,000	292,815
EXPENDITURES		
Capital outlay	<u>1,185,029</u>	<u>759,546</u>
Deficiency of Revenues Over Expenditures	(1,150,029)	(466,731)
OTHER FINANCING SOURCES		
Transfers in	<u>826,371</u>	<u>424,089</u>
Net Change in Fund Balance	(323,658)	(42,642)
FUND BALANCE		
Beginning of Year	<u>1,388,384</u>	<u>1,431,026</u>
End of Year	<u>\$ 1,064,726</u>	<u>\$ 1,388,384</u>

Village/Town Of Mount Kisco, New York

Capital Projects Fund

Project-Length Schedule

Inception of Project Through May 31, 2016

<u>Project</u>	<u>Appropriation</u>	<u>Capital Outlay and Transfers</u>	<u>Unexpended Balance</u>
DPW Steel Garage Addition	\$ 523,509	\$ 246,828	\$ 276,681
Old Post Office Renovation	401,259	383,495	17,764
Library Building	10,019,908	9,928,628	91,280
Jeff Feigel Square Culvert	46,142	-	46,142
Police Department Building Improvements	80,000	40,698	39,302
Justice Court Improvements	61,624	46,438	15,186
Shoppers Park Parking Multi Space Meters 2009-2010	418,845	397,085	21,760
Nutrition Department Improvement	16,500	15,496	1,004
LED Lighting Project	60,000	58,329	1,671
Paving - Various	531,105	304,124	226,981
Charging Stations	14,500	-	14,500
Pedestrian Bridge	70,000	8,726	61,274
Cable TV - Peg Access	70,000	12,305	57,695
IT Project	140,500	129,006	11,494
Vehicle Replacement	450,000	422,061	27,939
Village Hall Renovations	48,845	-	48,845
Village Wide Infrastructure (replaced 2132)	41,850	1,205	40,645
Fire Department - Mutual	25,000	24,996	4
Fire Department - Union Hook and Ladder	25,000	22,954	2,046
Fire Department - Independent Fire Company	25,000	24,849	151
Fire Department - Rescue Fire Police	25,000	-	25,000
Website Upgrade	37,200	26,300	10,900
General Parking Lot Improvements (fencing, & misc)	33,071	1,633	31,438
Totals	\$ 13,164,858	\$ 12,095,156	\$ 1,069,702

Total Revenues	Fund Balance at May 31, 2016
\$ 523,509	\$ 276,681
396,283	12,788
10,019,908	91,280
46,142	46,142
80,000	39,302
61,624	15,186
418,845	21,760
16,500	1,004
60,000	1,671
531,105	226,981
14,500	14,500
70,000	61,274
70,000	57,695
140,500	11,494
450,000	27,939
48,845	48,845
41,850	40,645
25,000	4
25,000	2,046
25,000	151
25,000	25,000
37,200	10,900
33,071	31,438
<u>\$ 13,159,882</u>	<u>\$ 1,064,726</u>

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Village/Town of Mount Kisco, New York

**Debt Service Fund
Comparative Balance Sheet
May 31,**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and equivalents	\$ 317,345	\$ 1,000,148
Taxes receivable	51,170	59,448
Due from other funds	<u>86</u>	<u>104</u>
Total Assets	<u>\$ 368,601</u>	<u>\$ 1,059,700</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 551	\$ 812
Deferred inflows of resources		
Deferred tax revenues	<u>51,170</u>	<u>59,448</u>
Total Liabilities and Deferred Inflows of Resources	<u>51,721</u>	<u>60,260</u>
Fund balance		
Restricted	300,485	910,830
Assigned	<u>16,395</u>	<u>88,610</u>
Total Fund Balance	<u>316,880</u>	<u>999,440</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 368,601</u>	<u>\$ 1,059,700</u>

Village/Town of Mount Kisco, New York

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

	2016			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 89,631	\$ 89,631	\$ 89,631	\$ -
Use of money and property	6,069	6,069	6,144	75
Total Revenues	95,700	95,700	95,775	75
EXPENDITURES				
Current				
General government support	1,075	550	550	-
Debt service				
Serial bonds				
Principal	1,019,068	1,705,479	1,705,479	-
Interest	337,254	202,851	202,851	-
	1,356,322	1,908,330	1,908,330	-
Refunding bond issuance costs	-	74,853	74,853	-
Total Expenditures	1,357,397	1,983,733	1,983,733	-
Deficiency of Revenues Over Expenditures	(1,261,697)	(1,888,033)	(1,887,958)	75
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	5,225,000	5,225,000	-
Payment to refunded bond escrow agent	-	(5,731,488)	(5,731,488)	-
Issuance premium	-	581,341	581,341	-
Transfers in	1,199,081	1,156,539	1,156,539	-
Transfers out	(25,994)	(25,994)	(25,994)	-
Total Other Financing Sources	1,173,087	1,205,398	1,205,398	-
Net Change in Fund Balance	(88,610)	(682,635)	(682,560)	75
FUND BALANCE				
Beginning of Year	88,610	682,635	999,440	316,805
End of Year	\$ -	\$ -	\$ 316,880	\$ 316,880

2015			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 145,300	\$ 145,299	\$ 145,299	\$ -
6,536	7,673	7,673	-
151,836	152,972	152,972	-
1,325	812	812	-
1,211,342	1,211,342	1,211,342	-
378,283	371,082	378,281	(7,199)
1,589,625	1,582,424	1,589,623	(7,199)
-	-	-	-
1,590,950	1,583,236	1,590,435	(7,199)
(1,439,114)	(1,430,264)	(1,437,463)	(7,199)
-	-	-	-
-	-	-	-
-	-	-	-
1,370,982	1,363,781	1,370,982	7,201
(19,994)	(19,994)	(19,994)	-
1,350,988	1,343,787	1,350,988	7,201
(88,126)	(86,477)	(86,475)	2
88,126	86,477	1,085,915	999,438
\$ -	\$ -	\$ 999,440	\$ 999,440

Village/Town of Mount Kisco, New York

Combining Balance Sheet
Non-Major Governmental Funds
May 31, 2016
(With Comparative Totals for 2015)

	Public Library	Section 8 Housing	Special Purpose
ASSETS			
Cash and equivalents	\$ 264,171	\$ 15,607	\$ 42,685
Accounts receivable	599	-	-
Due from other funds	-	475	1,446
	<u>-</u>	<u>475</u>	<u>1,446</u>
Total Assets	<u>\$ 264,770</u>	<u>\$ 16,082</u>	<u>\$ 44,131</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 15,875	\$ 600	\$ 6,306
Accrued liabilities	58,064	-	-
Due to other governments	-	-	-
Due to retirement systems	12,695	-	-
Due to other funds	19	-	890
	<u>86,653</u>	<u>600</u>	<u>7,196</u>
Total Liabilities	<u>86,653</u>	<u>600</u>	<u>7,196</u>
Fund balances			
Restricted	4,413	-	36,935
Assigned	173,704	15,482	-
	<u>178,117</u>	<u>15,482</u>	<u>36,935</u>
Total Fund Balances	<u>178,117</u>	<u>15,482</u>	<u>36,935</u>
Total Liabilities and Fund Balances	<u>\$ 264,770</u>	<u>\$ 16,082</u>	<u>\$ 44,131</u>

Total Non-Major Governmental Funds	
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2016	2015
\$ 322,463	\$ 214,485
599	-
1,921	3,058
<u>\$ 324,983</u>	<u>\$ 217,543</u>
\$ 22,781	\$ 22,553
58,064	54,458
-	10
12,695	15,664
909	10,023
<u>94,449</u>	<u>102,708</u>
41,348	45,712
189,186	69,123
<u>230,534</u>	<u>114,835</u>
<u>\$ 324,983</u>	<u>\$ 217,543</u>

Village/Town of Mount Kisco, New York**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended May 31, 2016
(With Comparative Totals for 2015)**

	Public Library	Section 8 Housing	Special Purpose
REVENUES			
Departmental income	\$ 2,941	\$ -	\$ -
Use of money and property	25,066	10	-
State aid	2,722	-	-
Federal aid	-	1,087,614	-
Miscellaneous	20,116	-	13,122
Total Revenues	50,845	1,087,624	13,122
EXPENDITURES			
Current			
General government support	14,042	-	-
Public safety	-	-	7,741
Health	-	-	3,885
Economic opportunity and development	-	1,125,595	-
Culture and recreation	793,361	-	5,114
Home and community services	-	-	749
Employee benefits	251,170	-	-
Total Expenditures	1,058,573	1,125,595	17,489
Deficiency of Revenues Over Expenditures	(1,007,728)	(37,971)	(4,367)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,800,014	24,540	-
Transfers out	(658,789)	-	-
Total Other Financing Sources	1,141,225	24,540	-
Net Change in Fund Balances	133,497	(13,431)	(4,367)
FUND BALANCES			
Beginning of Year	44,620	28,913	41,302
End of Year	\$ 178,117	\$ 15,482	\$ 36,935

Total Non-Major
Governmental Funds

2016	2015
\$ 2,941	\$ 3,885
25,076	6,790
2,722	2,572
1,087,614	971,548
<u>33,238</u>	<u>5,703</u>
<u>1,151,591</u>	<u>990,498</u>
14,042	17,691
7,741	-
3,885	-
1,125,595	1,146,994
798,475	812,425
749	1,919
<u>251,170</u>	<u>285,866</u>
<u>2,201,657</u>	<u>2,264,895</u>
<u>(1,050,066)</u>	<u>(1,274,397)</u>
1,824,554	1,795,984
<u>(658,789)</u>	<u>(687,688)</u>
<u>1,165,765</u>	<u>1,108,296</u>
115,699	(166,101)
<u>114,835</u>	<u>280,936</u>
<u>\$ 230,534</u>	<u>\$ 114,835</u>

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Village/Town of Mount Kisco, New York

**Public Library Fund
Comparative Balance Sheet
May 31,**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and equivalents	\$ 264,171	\$ 137,422
Accounts receivables	<u>599</u>	<u>-</u>
Total Assets	<u><u>\$ 264,770</u></u>	<u><u>\$ 137,422</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 15,875	\$ 21,993
Accrued liabilities	58,064	54,458
Due to retirement systems	12,695	15,664
Due to other funds	<u>19</u>	<u>687</u>
Total Liabilities	<u>86,653</u>	<u>92,802</u>
 Fund balance		
Restricted	4,413	4,410
Assigned	<u>173,704</u>	<u>40,210</u>
Total Fund Balance	<u>178,117</u>	<u>44,620</u>
 Total Liabilities and Fund Balance	<u><u>\$ 264,770</u></u>	<u><u>\$ 137,422</u></u>

Village/Town of Mount Kisco, New York

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

	2016			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Departmental income	\$ 4,000	\$ 2,700	\$ 2,941	\$ 241
Use of money and property	4,300	5,600	25,066	19,466
State aid	2,000	2,000	2,722	-
Miscellaneous	1,450	16,450	20,116	3,666
Total Revenues	11,750	26,750	50,845	23,373
EXPENDITURES				
Current				
General government support	43,604	28,136	14,042	14,094
Culture and recreation	816,265	843,733	793,361	50,372
Employee benefits	260,758	263,758	251,170	12,588
Total Expenditures	1,120,627	1,135,627	1,058,573	77,054
Deficiency of Revenues Over Expenditures	(1,108,877)	(1,108,877)	(1,007,728)	101,149
OTHER FINANCING SOURCES (USES)				
Transfers in	1,800,014	1,800,014	1,800,014	-
Transfers out	(692,288)	(692,288)	(658,789)	33,499
Total Other Financing Sources	1,107,726	1,107,726	1,141,225	33,499
Net Change in Fund Balance	(1,151)	(1,151)	133,497	134,648
FUND BALANCE				
Beginning of Year	1,151	1,151	44,620	43,469
End of Year	\$ -	\$ -	\$ 178,117	\$ 178,117

2015			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 4,000	\$ 3,883	\$ 3,885	\$ 2
5,000	6,790	6,790	-
3,000	2,572	2,572	-
36,000	2,528	2,528	-
48,000	15,773	15,775	2
34,417	17,691	17,691	-
801,927	810,848	809,697	1,151
308,198	285,866	285,866	-
1,144,542	1,114,405	1,113,254	1,151
(1,096,542)	(1,098,632)	(1,097,479)	1,153
1,759,230	1,759,230	1,759,230	-
(687,688)	(687,688)	(687,688)	-
1,071,542	1,071,542	1,071,542	-
(25,000)	(27,090)	(25,937)	1,153
25,000	27,090	70,557	43,467
\$ -	\$ -	\$ 44,620	\$ 44,620

Village/Town of Mount Kisco, New York

**Section 8 Housing Fund
Comparative Balance Sheet
May 31,**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and equivalents	\$ 15,607	\$ 35,674
Due from other funds	<u>475</u>	<u>3,058</u>
Total Assets	<u>\$ 16,082</u>	<u>\$ 38,732</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 600	\$ 473
Due to other governments	-	10
Due to other funds	<u>-</u>	<u>9,336</u>
Total Liabilities	600	9,819
Fund balance		
Assigned	<u>15,482</u>	<u>28,913</u>
Total Liabilities and Fund Balance	<u>\$ 16,082</u>	<u>\$ 38,732</u>

Village/Town of Mount Kisco, New York

Section 8 Housing Fund

**Comparative Statement of Revenues, Expenditures and Changes in
Fund Balance**

Years Ended May 31,

	<u>2016</u>	<u>2015</u>
REVENUES		
Use of money and property	\$ 10	\$ -
Federal aid	<u>1,087,614</u>	<u>971,548</u>
Total Revenues	1,087,624	971,548
EXPENDITURES		
Current		
Economic opportunity and development	<u>1,125,595</u>	<u>1,146,994</u>
Deficiency of Revenues over Expenditures	(37,971)	(175,446)
OTHER FINANCING SOURCES		
Transfers in	<u>24,540</u>	<u>36,754</u>
Net Change in Fund Balance	(13,431)	(138,692)
FUND BALANCE		
Beginning of Year	<u>28,913</u>	<u>167,605</u>
End of Year	<u>\$ 15,482</u>	<u>\$ 28,913</u>

Village/Town of Mount Kisco, New York

**Special Purpose Fund
Comparative Balance Sheet
May 31,**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and equivalents	\$ 42,685	\$ 41,389
Due from other funds	<u>1,446</u>	<u>-</u>
Total Assets	<u>\$ 44,131</u>	<u>\$ 41,389</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 6,306	\$ 87
Due to other funds	<u>890</u>	<u>-</u>
Total Liabilities	7,196	87
Fund balance		
Restricted	<u>36,935</u>	<u>41,302</u>
Total Liabilities and Fund Balance	<u>\$ 44,131</u>	<u>\$ 41,389</u>

Village/Town of Mount Kisco, New York

Special Purpose Fund

**Comparative Statement of Revenues, Expenditures and Changes
in Fund Balance**

Years Ended May 31,

	<u>2016</u>	<u>2015</u>
REVENUES		
Miscellaneous	<u>\$ 13,122</u>	<u>\$ 3,175</u>
EXPENDITURES		
Current		
Public safety	7,741	-
Health	3,885	-
Culture and recreation	5,114	2,728
Home and community services	<u>749</u>	<u>1,919</u>
 Total Expenditures	<u>17,489</u>	<u>4,647</u>
 Deficiency of Revenues over Expenditures	(4,367)	(1,472)
FUND BALANCE		
Beginning of Year	<u>41,302</u>	<u>42,774</u>
 End of Year	<u><u>\$ 36,935</u></u>	<u><u>\$ 41,302</u></u>

Village/Town of Mount Kisco, New York

**Enterprise Fund - Water Fund
Comparative Statement of Net Position
May 31,**

	2016	2015
ASSETS		
Current assets		
Cash and equivalents	\$ 3,839,991	\$ 3,245,755
Receivables		
Accounts	1,213,086	1,300,016
State and Federal aid	-	1,023
Total Current Assets	5,053,077	4,546,794
Noncurrent assets		
Capital assets		
Not being depreciated	987,402	987,402
Being depreciated, net	22,933,747	24,025,386
Total Noncurrent Assets	23,921,149	25,012,788
Total Assets	28,974,226	29,559,582
DEFERRED OUTFLOWS OF RESOURCES	456,501	35,257
LIABILITIES		
Current liabilities		
Accounts payable	170,462	189,408
Accrued liabilities	82,957	62,211
Retainages payable	-	8,001
Due to retirement systems	26,780	29,065
Due to other funds	133	2,163
Overpayments	3,736	4,676
Accrued interest payable	138,714	142,627
Total Current Liabilities	422,782	438,151
Noncurrent liabilities		
Due within one year	1,450,100	1,438,032
Due in more than one year	10,017,892	10,943,714
Total Noncurrent Liabilities	11,467,992	12,381,746
Total Liabilities	11,890,774	12,819,897
DEFERRED INFLOWS OF RESOURCES	68,836	-
NET POSITION		
Net investment in capital assets	13,373,918	13,055,959
Restricted for capital improvements	369,780	369,517
Restricted for other purposes	497,098	496,745
Restricted for debt service	105,814	105,738
Restricted for unemployment benefits	15,119	15,108
Unrestricted	3,109,388	2,731,875
Total Net Position	\$ 17,471,117	\$ 16,774,942

Village/Town of Mount Kisco, New York**Enterprise Fund - Water Fund****Comparative Statement of Revenues, Expenses and Changes in Net Position****Years Ended May 31,**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Departmental income	\$ 4,765,589	\$ 4,553,686
Licenses and permits	7,860	5,131
Miscellaneous	877	196
	<u>4,774,326</u>	<u>4,559,013</u>
OPERATING EXPENSES		
Personal services	745,406	747,827
Supplies	154,177	194,773
Utilities	277,294	247,378
Contractual and other	867,382	924,543
Administrative charges	-	200,000
Professional fees	57,157	16,632
Employee benefits	539,548	534,389
Depreciation	1,137,595	1,138,613
	<u>3,778,559</u>	<u>4,004,155</u>
Income from Operations	<u>995,767</u>	<u>554,858</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	80,113	86,948
Interest expense	(309,789)	(424,348)
	<u>(229,676)</u>	<u>(337,400)</u>
Change in Net Position	<u>766,091</u>	<u>217,458</u>
NET POSITION		
Beginning of Year, as reported	16,774,942	16,557,484
Cumulative Effect of Change in Accounting Principle	(69,916)	-
Beginning of Year, as restated	<u>16,705,026</u>	<u>-</u>
End of Year	<u>\$ 17,471,117</u>	<u>\$ 16,774,942</u>

Village/Town of Mount Kisco, New York

Enterprise Fund - Water Fund
Comparative Statement of Cash Flows
Years Ended May 31,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from departmental income	\$ 4,853,542	\$ 4,606,655
Cash received from licenses and permits	7,860	5,131
Cash received from miscellaneous revenue	877	196
Cash payment to other funds for reimbursement of operating transactions	(2,030)	-
Cash received from other funds for reimbursement of operating transactions	-	2,163
Cash payments for goods and services	(1,363,151)	(1,554,149)
Cash payments to employees	(1,213,719)	(1,227,042)
Net Cash from Operating Activities	2,283,379	1,832,954
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bonds	(1,415,022)	(1,373,408)
Interest paid on indebtedness	(308,279)	(435,605)
Acquisition and construction of capital assets	(45,955)	(234,165)
Net Cash from Capital and Related Financing Activities	(1,769,256)	(2,043,178)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest income	80,113	86,948
Net Change in Cash and Equivalents	594,236	(123,276)
CASH AND EQUIVALENTS		
Beginning of Year	3,245,755	3,369,031
End of Year	\$ 3,839,991	\$ 3,245,755
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	\$ 995,767	\$ 554,858
Adjustments to reconcile income from operations to net cash from operating activities		
Depreciation	1,137,595	1,138,613
Changes in operating assets and liabilities		
Accounts receivable	86,930	52,969
State and Federal aid receivable	1,023	-
Deferred outflows of resources	(426,668)	
Accounts payable	(18,946)	67,120
Accrued liabilities	20,746	(40,226)
Retainages payable	(8,001)	8,001
Due to retirement systems	(2,285)	9,605
Due to other funds	(2,030)	2,163
Overpayments	(940)	(5,718)
Net pension liability	393,886	-
Compensated absences	16,000	36,000
Other post employment benefit obligations payable	21,466	9,569
Deferred inflows of resources	68,836	-
Net Cash from Operating Activities	\$ 2,283,379	\$ 1,832,954
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Refunding bonds issued	\$ 3,620,000	\$ -
Issuance premium	408,613	-
Payment to refunded bond escrow agent	41,084	-
Refunding bond issuance costs	3,987,529	-

Village/Town of Mount Kisco, New York**Enterprise Fund - Sewer Fund
Comparative Statement of Net Position
May 31,**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and equivalents	\$ 1,314,412	\$ 1,151,281
Accounts receivable	<u>245,144</u>	<u>243,856</u>
Total Current Assets	<u>1,559,556</u>	<u>1,395,137</u>
Noncurrent assets		
Capital assets		
Not being depreciated	490,511	490,511
Being depreciated, net	<u>4,229,972</u>	<u>4,365,785</u>
Total Noncurrent Assets	<u>4,720,483</u>	<u>4,856,296</u>
Total Assets	<u>6,280,039</u>	<u>6,251,433</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>243,727</u>	<u>-</u>
LIABILITIES		
Current liabilities		
Accounts payable	135,019	23,509
Accrued liabilities	34,635	25,853
Retainages payable	-	107,705
Bond anticipation note payable	1,320,000	1,380,000
Due to retirement systems	13,376	15,145
Due to other funds	168	2,239
Accrued interest payable	<u>2,376</u>	<u>1,766</u>
Total Current Liabilities	<u>1,505,574</u>	<u>1,556,217</u>
Noncurrent liabilities		
Due within one year	10,900	10,200
Due in more than one year	<u>523,123</u>	<u>237,573</u>
Total Noncurrent Liabilities	<u>534,023</u>	<u>247,773</u>
Total Liabilities	<u>2,039,597</u>	<u>1,803,990</u>
DEFERRED INFLOWS OF RESOURCES	<u>39,321</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	3,951,965	4,237,040
Restricted for other purposes	302,518	302,302
Unrestricted	<u>190,365</u>	<u>(91,899)</u>
Total Net Position	<u>\$ 4,444,848</u>	<u>\$ 4,447,443</u>

Village/Town of Mount Kisco, New York

Enterprise Fund - Sewer Fund

Comparative Statement of Revenues, Expenses and Changes in

Net Position

Years Ended May 31,

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Departmental income	<u>\$ 985,385</u>	<u>\$ 783,494</u>
OPERATING EXPENSES		
Personal services	380,608	397,885
Supplies	1,917	4,153
Utilities	4,324	7,255
Contractual and other	140,926	144,286
Professional fees	6,556	6,338
Employee benefits	224,367	221,851
Depreciation	<u>180,775</u>	<u>178,032</u>
Total Operating Expenses	<u>939,473</u>	<u>959,800</u>
Income (Loss) from Operations	<u>45,912</u>	<u>(176,306)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	873	751
Interest expense	<u>(9,442)</u>	<u>(7,966)</u>
Total Non-Operating Expenses	<u>(8,569)</u>	<u>(7,215)</u>
Change in Net Position	<u>37,343</u>	<u>(183,521)</u>
NET POSITION		
Beginning of Year	4,447,443	4,630,964
Cumulative Effect of Change in Accounting Principle	<u>(39,938)</u>	<u>-</u>
Beginning of Year, as restated	<u>4,407,505</u>	<u>4,630,964</u>
End of Year	<u>\$ 4,444,848</u>	<u>\$ 4,447,443</u>

Village/Town of Mount Kisco, New York

**Enterprise Fund - Sewer Fund
Comparative Statement of Cash Flows
Years Ended May 31,**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from departmental income	\$ 984,097	\$ 762,168
Cash received from other funds for reimbursement of operating transactions	-	2,048
Cash payment to other funds for reimbursement of operating transactions	(2,071)	-
Cash payments for goods and services	(141,136)	(233,550)
Cash payments to employees	(564,838)	(598,593)
Net Cash from Operating Activities	276,052	(67,927)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest on indebtedness	(8,832)	(7,755)
Acquisition and construction of capital assets	(44,962)	(207,577)
Payment of bond anticipation note principal	(60,000)	(60,000)
Net Cash from Capital and Related Financing Activities	(113,794)	(275,332)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest income	873	751
Net Change in Cash and Equivalents	163,131	(342,508)
CASH AND EQUIVALENTS		
Beginning of Year	1,151,281	1,493,789
End of Year	\$ 1,314,412	\$ 1,151,281
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income (Loss) from operations	\$ 45,912	\$ (176,306)
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	180,775	178,032
Changes in operating assets and liabilities		
Accounts receivable	(1,288)	(21,326)
Deferred outflows of resources	(243,727)	-
Accounts payable	111,510	(75,141)
Accrued liabilities	8,782	(16,478)
Retainages payable	(107,705)	20,101
Due to retirement systems	(1,769)	4,763
Due to other funds	(2,071)	2,048
Net pension liability	225,001	-
Compensated absences	7,000	10,000
Other post employment benefit obligations payable	14,311	6,380
Deferred inflows of resources	39,321	-
Net Cash from Operating Activities	\$ 276,052	\$ (67,927)

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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 Board of Trustees of the
Village/Town of Mount Kisco, 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, the business-type activities, each major fund and the aggregate remaining fund information of the Village/Town of Mount Kisco, New York ("Village/Town") as of and for the year ended May 31, 2016 and the related notes to the financial statements, which collectively comprise the Village/Town's basic financial statements, and have issued our report thereon dated February 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village/Town'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/Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village/Town'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/Town'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*.

We noted certain matters that we reported to the management of the Village/Town in a separate letter.

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 27, 2017



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

Independent Auditors' Report

**The Board of Trustees of the
Village/Town of Mount Kisco, New York**

Report on Compliance for Each Major Federal Program

We have audited the Village/Town of Mount Kisco, New York's ("Village/Town") 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/Town's major federal programs for the year ended May 31, 2016. The Village/Town'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 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/Town'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/Town'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/Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Village/Town 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-01 and 2016-02. Our opinion on each major federal program is not modified with respect to these matters.

The Village/Town's responses to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. The Village/Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Village/Town 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/Town'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/Town'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 27, 2017

Village/Town of Mount Kisco, New York

Schedule of Expenditures of Federal Awards
Year Ended May 31, 2016

<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>
US Department of Housing and Urban Development Direct Program (HUD) Section 8 Housing Choice Voucher Program	14.871		\$ -	\$ 1,125,596
U.S. Department of Health and Human Services Indirect Programs Passed through Westchester County				
Special Programs for the Aging - Title III, Part C	93.045	3C1	-	34,816
Special Programs for the Aging - Title III, Part C	93.045	3C2	-	31,259
Special Programs for the Aging - Title III, Part C	93.045		-	11,767
			-	77,842
Special Programs for the Aging - Title III, Part B	93.044	3B	-	2,661
Drug Free Communities Support Program Grants	93.276		-	122,518
			-	125,179
Total Health and Human Services			-	203,021
Total Federal Expenditures			\$ -	\$ 1,328,617

(1) Catalog of Federal Domestic Assistance number

The accompanying notes are an integral part of this schedule.

Village/Town of Mount Kisco, New York

Notes to Schedule of Expenditures of Federal Awards Year Ended May 31, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Village/Town of Mount Kisco, New York ("Village/Town") under programs of the federal government for the year ended May 31, 2016. 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/Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Village/Town.

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/Town has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

Village/Town of Mount Kisco, New York

Schedule of Findings and Questioned Costs
Year Ended May 31, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' 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 X No
___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major programs:

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

___ Yes X No
X Yes ___ None reported

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

Unmodified

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

X Yes ___ No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.871

Section 8 Housing Voucher Program

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

___ yes X no

Village/Town of Mount Kisco, New York

**Schedule of Findings and Questioned Costs
Year Ended May 31, 2016**

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

Finding 2016-01: Management, Oversight and Monitoring (Significant Deficiency)

Condition: The auditor found isolated (Significant Deficiency) instances as described in Finding 2016-02 of insufficient oversight and monitoring by management. Through interviews with management and related personnel we were able to satisfy ourselves that the necessary oversight and monitoring was performed with the exception of the certain isolated instances.

Criteria: Effective internal control over financial reporting requires management oversight and monitoring to establish reasonable assurance that financial reporting is being reliably and accurately completed. Documentation of this oversight and monitoring is necessary to ensure that this criteria is met.

Cause: These activities are often informal and performed as a part of the overall management of the entity's operations. Management's close involvement in operations will typically identify inaccuracies in financial data.

Effect: The financial statements "could" have been significantly misstated without adequate documentation and performance of oversight functions. There are untimely submissions of reports as described in Findings 2016-02.

Questioned Cost: None.

Recommendation: Management must formally document its review of all elements of the financial data reflected in the financial reporting. This would include but not be limited to ledger account reconciliations, journal entries, trial balances, revenue status, budget status reports and the timely filing of Federal reports.

Village/Town of Mount Kisco, New York

**Schedule of Findings and Questioned Costs
Year Ended May 31, 2016**

- ***Finding 2016-02: Financial Reporting – Untimely Submission of Reports - US Department of Housing and Urban Development (HUD) Section 8 Housing Choice Voucher Program CFDA 14.871 (Significant Deficiency)***

Criteria: The Financial Assessment Sub-system Public Housing, (FASS-PH) (24 CFR section 5.801) require Public Housing Agencies (PHAs) to submit timely GAAP-based unaudited and audited financial information electronically to HUD. The FASS-PH system is one of HUD's main monitoring and oversight systems for the Housing Choice Voucher Program ("HCVP").

Condition: The Management of the Village/Town has not filed the required audited financial information for the year ended March 31, 2016. The 2016 audited financial information was due on December 31, 2016 and has not been electronically submitted to date.

Unaudited submissions are due no later than 60 days after the PHA's fiscal year end; for those entities required to have an audit, the audited submissions are due 9 months after the PHA's fiscal year end. PHA's are required to submit their financial information through the FASS-PH system.

Cause: Although the Management of the Village/Town utilizes/outsources an outside accounting service to submit the required information to the Financial Assessment Sub-system, the Village/Town did not monitor that the filing was submitted timely.

Effect: The Management of the Village/Town was not in compliance with the Housing and Urban Development's Office of Public and Indian Housing – Real Estate Assessment Center (HUD REAC) reporting requirements.

Questioned Cost: None

Recommendation: The Management of the Village/Town must immediately comply with the requirements to submit timely GAAP-based unaudited and audited financial information to the FASS-PH system.

Village/Town of Mount Kisco, New York

**Summary Schedule of Prior Audit Findings
Year Ended May 31, 2016**

Section IV – Prior Audit Findings

Finding 2015-01: Management, Oversight and Monitoring (Significant Deficiency)

Condition: The auditor found isolated (Significant Deficiency) instances as described in Findings 2015-02, 2015-03 and 2015-04 of insufficient oversight and monitoring by management. Through interviews with management and related personnel we were able to satisfy ourselves that the necessary oversight and monitoring was performed with the exception of the certain isolated instances.

Criteria: Effective internal control over financial reporting requires management oversight and monitoring to establish reasonable assurance that financial reporting is being reliably and accurately completed. Documentation of this oversight and monitoring is necessary to insure that this criteria is met.

Cause: These activities are often informal and performed as a part of the overall management of the entity's operations. Management's close involvement in operations will typically identify inaccuracies in financial data.

Effect: The financial statements "could" have been significantly misstated without adequate documentation and performance of oversight functions. There were untimely submissions of reports as described in Findings 2015-02, 2015-03 and 2015-04.

Questioned Cost: None.

Recommendation: Management must formally document its review of all elements of the financial data reflected in the financial reporting. This would include but not be limited to ledger account reconciliations, journal entries, trial balances, revenue status, budget status reports and the timely filing of Federal reports.

Status: The status is as follows:

Findings	Status		
	Resolved	Unresolved	
2015-01		x	See 2016-01 Finding
2015-02	x		
2015-03		x	See 2016-02 Finding
2015-04	x		

Village/Town of Mount Kisco, New York

Summary Schedule of Prior Audit Findings Year Ended May 31, 2016

Section IV – Prior Audit Findings (*Continued*)

- **Finding 2015-02: Financial Reporting – Untimely Submission of Single Audit Report to the Federal Audit Clearinghouse (Significant Deficiency)**

Condition: All submissions qualify under the Uniform Guidance and the requirements set forth by the Office of Management and Budget (OMB) in the Uniform Guidance. A single audit must be completed and successfully submitted to the Federal Audit Clearinghouse (FAC) within the earlier of thirty days after receipt of the signed audit report, or nine months after the auditee's fiscal year-end. If a grantee does not comply with this standard in either of the previous two years, the organization is precluded from qualifying for "low-risk" status.

Criteria: The Single Audit reports for the fiscal year ended May 31, 2014 due to be submitted to the FAC on February 28, 2015, submitted February 29, 2016, were filed one year late. The Single Audit report for the fiscal year ended May 31, 2015 due February 28, 2016 was submitted June 29, 2016.

Cause: The late submission(s) makes it clear that the Village must implement new controls over this process.

Effect: According to the May 31, 2014 *Schedule of Findings and Questioned Cost*, the Village was treated as a low-risk auditee. In regards to the upcoming FY2016 audit, the Village no longer qualifies for this low-risk treatment (as defined by the OMB guidance noted above) due to the late submission of the FY2014 reporting package to the FAC.

When an organization qualifies for low-risk status under OMB Circular A-133, the IPA is only required to test Federal programs that encompass at least 25 percent of the total Federal expenditures for the fiscal year. If an organization does not qualify for low-risk status, the IPA must test Federal programs that encompass at least 50 percent of the total Federal expenditures.

Questioned Cost: None

Recommendation: The Village/Town must immediately comply with the requirements to submit timely the financial reporting package to the FAC.

Status: Resolved. The Single audit reports for the fiscal year ended May 31, 2014 and May 31, 2015 were submitted to the FAC as detailed in criteria above.

Section IV – Prior Audit Findings (Continued)

Finding 2015-03: Financial Reporting – Untimely Submission of Reports - US Department of Housing and Urban Development (HUD) Section 8 Housing Choice Voucher Program CFDA 14.871 (Significant Deficiency)

Criteria: The Financial Assessment Sub-system Public Housing, (FASS-PH) (24 CFR section 5.801) require Public Housing Agencies (PHAs) to submit timely GAAP-based unaudited and audited financial information electronically to HUD. The FASS-PH system is one of HUD's main monitoring and oversight systems for the Housing Choice Voucher Program ("HCVP").

Condition: The Management of the Village has not filed the required audited financial information for the year ended May 31, 2014 or 2015. The 2014 and 2015 audited financial information was due on December 31, 2014 and 2015 respectively and has not been electronically submitted to date.

Cause: Although the Management of the Village utilizes/outsources an outside accounting service to submit the required information to the Financial Assessment Sub-system, the Village did not monitor that the filing was submitted timely.

Effect: The Management of the Village was not in compliance with the Housing and Urban Development's Office of Public and Indian Housing – Real Estate Assessment Center (HUD REAC) reporting requirements.

Questioned Cost: None

Recommendation: The Management of the Village must immediately comply with the requirements to submit timely GAAP-based unaudited and audited financial information to the FASS-PH system.

Status: Unresolved. The audited financial information was submitted to HUD on July 13, 2016 for the May 31, 2015 year end and April 1, 2016 for the May 31, 2014 year end.

However the audited financial information was not submitted to HUD for the current year ended May 31, 2016 (see finding 2016-02) which was due December 31, 2016.

Section IV – Prior Audit Findings (Continued)

Finding 2015-04: Utility Allowance Schedule – US Department of Housing and Urban Development (HUD) Section 8 Housing Choice Voucher Program CFDA 14.871 (Significant Deficiency)

Criteria: Public Housing Agency (PHA) is required to review its utility allowance schedule annually and to adjust them if necessary. The PHA must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a change of 10 percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised (24 CFR section 982.517).

Condition: The Management of the Village relies on the utility allowance schedule published by the County of Westchester (County) in determining payments to beneficiaries. The Village does not have the corresponding supporting data on record such as utility rates used to estimate allowances paid to beneficiaries of the Housing Choice Vouchers Program.

Cause: The Management of the Village does not have the expertise to monitor changes in utility rates and evaluate the basis of the calculation and relies on the County to provide the schedule.

Effect: Housing and Urban Development (HUD) may not have been provided necessary information to monitor its program effectively.

Questioned Cost: None

Recommendation: The Management of the Village must request from the County and have the supporting information on record to support the calculation of rates in the utility allowance schedule.

Status: Resolved. No similar instances noted in current year.

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**APPENDIX A –
MANAGEMENT'S CORRECTIVE ACTION PLAN**

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MAYOR
J. Michael Jodanis

VILLAGE TRUSTEES

Anthony C. Muto

DEPUTY MAYOR

Jean M. Farber

Peter P. Grunthal

Karen B. Schleimer



VILLAGE MANAGER
Edward W. DeMarco

VILLAGE/TOWN OF MOUNT KISCO

WESTCHESTER COUNTY, NEW YORK

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CORRECTIVE ACTION PLAN

Capital Projects Funds - The Village contacted Westchester County Planning, who administers the funds to request a re-allocation of the funds for a Super Jet Vac Truck. The Village has received written approval to do so, and used these funds as well as \$175,000 in additional Water Quality Improvement Program (WQIP) funds from Westchester County and New York City Department of Environmental Protection (NYCDEP) and additional capital reserves to acquire this vehicle off of the National Joint Powers Alliance (NJPA) contract #022014-AMI in fiscal year 2016.

Special Purpose Fund - The Village continues to address the usage of these funds with various department heads. The managers have been advised of the need to utilize these monies in the upcoming year. The Village continues to work on how we can utilize the police donations as the bulk of our police activity is now administered by the Westchester County Department of Public Safety.

Compensated Absences - There are multiple solutions regarding this issue.

In January 2016, a project to update and reconcile the compensated absences for our employees commenced. The Department of Public Works department was completed and each employee received copies of their records and a request to review and sign off on their balances as accurate. The same will be done for both the Clerical and Administrative groups.

It is our intent to utilize our current software, KVS, to input the balances, and record activity as each payroll is processed to keep the balances current. As such the available balances would appear on each employee's paystub. At year end, employees will have to review and sign off on the balances indicated.

The reader should also be aware that our employee balances are used on a First-In-First-Out (FIFO) basis. This necessitates us keeping records on excel spreadsheets.

Part of the issue in keeping balances current is that calculations are driven by the employees hire date rather than a fiscal year beginning date, which is labor intensive. The Village is attempting to correct that issue by amending its labor contracts to reflect a fiscal year start date for all employees, and has already implemented this change in our Administrative Group

Contract beginning June 1, 2016. Management expects to have the Clerical Group Contract resolved in the same manner prior to the start of the fiscal year beginning June 1, 2017.

Procurement – Competitive Bids - Management will comply.

Payroll and Salary Modification Access – Management will comply and document the review.

Segregation of Duties – Access to Vendor Modification - The Village Finance Department has added additional part-time staff to assist in segregation of duties.

Outsourced IT Management – Management will comply.

Justice Court :

Outstanding Bail, Cash – Book/Bank Reconciliations -The Justice Court has been addressed and will comply.

Old Outstanding Parking Tickets – The Village had adopted a parking ticket dismissal policy on July 15, 2013 which emanated from the recommendation of the NYS Comptroller's Office, after an audit of our parking ticket collection process. The Comptroller's Office applauded the Village for its collection efforts and an outstanding collection rate of more than 90% of tickets issued, which is historically one of the highest in Westchester County. The Village utilizes a third party, Complus, as our collection agency which sends out all of the notices and makes all of the necessary filings with the State of New York. In accordance with our dismissal policy all old outstanding parking ticket fines will be purged by fiscal year end 2016.

Single Audit – Uniform Guidance

Finding 2016-1 Management Oversight

Management of the village will immediately comply. Please also refer to Finding 2016-2

Finding 2016-2 Financial Reporting — Untimely Submission of Reports to the Federal Audit Clearinghouse

This is created by the backlog in closing our fiscal years. The U.S. Department of Housing and Urban Development (HUD) Section 8 Choice Voucher Program fiscal year end close is March 31st as opposed to the Village fiscal year which is May 31st. Audit delays have contributed to untimely filing by the December 31st HUD deadline.

As follows, regarding Addendum A, the Village of Mount Kisco received a memorandum from the U.S. Department of Housing and Urban Development on November 22, 2016 regarding the voluntary transfer of the Housing Choice Voucher Program units from the Village of Mount Kisco (NY176) to the Mount Kisco Housing Authority (NY038).

This memorandum stated that, on November 22, 2016 the Office of Housing Voucher Programs approved the transfer and assigned January 1, 2017, as the effective date of the transfer. The Department recognized that the Mount Kisco Housing Authority, a Combined Public Housing Authority (PHA), meets the criteria listed in the PIH Notice 2015-22, and that the transfer will be in the best interest of the program participants. The Mount Kisco Housing Authority will use the total 109 units, in the same geographic area and will serve the same population as the Village of Mount Kisco. This transfer does not include any Special Purpose vouchers or programs.

As part of this transfer, the Financial Management Center (FMC) will be responsible for amending the Mount Kisco Housing Authority's Consolidated Annual Contributions Contract for the transferred units. Also, the Field Office and the FMC will ensure that the NY176's unrestricted net position (UNP) and the restricted net position (RNP) are calculated and reconciled with cash and cash investments.

Upon reconciliation, NY176's UNP balance must be transferred to the Mount Kisco Housing Authority; however, NY176's RNP balance has to be returned to HUD because the RNP balance will be obligated under the Mount Kisco Authority as HUD-held reserves, in compliance with cash management requirements. The divesting PHA will work with the receiving PHA and the FMC to transfer the UNP and RNP funds, respectively. Note that a repayment agreement must be established immediately should the HCV funds be unaccounted for during the reconciliation of UNP and RNP balances.

The Field Office will ensure that NY176 has procured a close-out financial review needed to close-out its HCV program for FY 2016 in the PIH sub-systems. The close-out reporting requirements include NY176's timely and complete reporting in the Voucher Management System (VMS) for all the months in operations prior to the effective date of the voluntary transfer.

