

**VILLAGE/TOWN OF
MOUNT KISCO, NEW YORK**

*Basic Financial Statements, Required Supplementary
Information and Supplementary Information
for the Year Ended May 31, 2018
and Independent Auditors' Reports*

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The 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 (the "Village/Town"), as of and for the year ended May 31, 2018, 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

The Village/Town's 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village/Town, as of May 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended May 31, 2018 the Village/Town implemented Governmental Accounting Standards Board (“GASB”) Statement No.73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. 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 the Management’s Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and relates 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 Supplementary Information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2019 on 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.

 Duesch & Melch LLP

April 1, 2019

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Management's Discussion and Analysis
Year Ended May 31, 2018

As management of the Village/Town of Mount Kisco, New York (the "Village/Town"), we offer readers of the Village/Town's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended May 31, 2018. This document should be read in conjunction with the additional information that we have furnished in the Village/Town's financial statements, which follow this narrative. For comparative purposes, certain data from the prior year has been reclassified to conform with the current year presentation.

Financial Highlights

- The assets and deferred outflows of resources of the Village/Town's primary government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$48,002,657 (*net position*). This consists of \$51,004,678 net investment in capital assets, \$2,527,590 restricted net position, offset by an unrestricted net position of \$(5,529,611).
- The Village/Town's primary government net position increased \$1,472,891 during the year ended May 31, 2018. Governmental activities increased the Village/Town's net position by \$1,473,370, while the net position of business-type activities decreased by \$479.
- At the close of the current fiscal year, the Village/Town's governmental funds reported a combined ending fund balance of \$13,362,379, a decrease of \$913,141 in comparison with the prior year's fund balance of \$14,275,520.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$7,764,954, or approximately 33.8 percent of total General Fund expenditures and transfers out. This total amount is available for spending at the Village/Town's discretion and constitutes approximately 56.9 percent of the General Fund's total fund balance of \$13,646,392 at May 31, 2018.
- The Village/Town's total bonded indebtedness decreased by \$623,480 and \$1,336,520 for governmental activities and business-type activities, respectively, as a result of scheduled principal payments.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to Village/Town's basic financial statements. The Village/Town's basic financial statements comprise 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 themselves.

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, liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of 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 for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village/Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village/Town include general governmental support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community services. The business-type activities of the Village/Town include the Water and Sewer enterprise funds.

The government-wide financial statements can be found on pages 15-16 of this report.

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 on *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 funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village/Town maintains five individual governmental funds. 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 General Fund, Debt Service and Capital Projects Fund, which are considered to be major funds. Data from the other two governmental funds, which include the Public Library Fund and Special Purpose Fund, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is presented in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary funds—The Village/Town maintains two enterprise funds. *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 operations and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund, both of which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the Village/Town. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village/Town’s own programs.

The Village/Town maintains two types of fiduciary funds, the Pension Trust Fund and the Agency Fund. The Pension Trust Fund is used to account for trust arrangements for which the funds of the Village/Town’s Volunteer Fire and Ambulance Length of Service Award Programs (“LOSAP”) are maintained. The Agency Fund reports resources held by the Village/Town in custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statements can be found on pages 24-25 of this report.

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 to the financial statements can be found on pages 26-64 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Village/Town’s net pension liabilities, the Village/Town’s progress in funding its obligation to provide postemployment benefits to its employees, and the Village/Town’s budgetary comparison for the General Fund. Required supplementary information and related notes to the required supplementary information can be found on pages 65-72 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 73-74 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the Village/Town’s primary government, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$48,002,657 at the close of the fiscal year ended May 31, 2018, as compared to \$46,529,766 at the close of the fiscal year ended May 31, 2017, as restated.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental Activities		Business-type Activities		Total Primary Government	
	May 31,		May 31,		May 31,	
	2017				2017	
	2018	(as restated)	2018	2017	2018	(as restated)
Current assets	\$ 23,556,295	\$ 20,955,502	\$ 5,901,996	\$ 6,406,119	\$ 29,458,291	\$ 27,361,621
Noncurrent assets	38,723,449	36,042,856	26,721,985	27,735,413	65,445,434	63,778,269
Total assets	62,279,744	56,998,358	32,623,981	34,141,532	94,903,725	91,139,890
Deferred outflows of resources	1,951,920	2,018,027	612,832	460,962	2,564,752	2,478,989
Current liabilities	9,934,203	6,337,883	1,637,543	1,788,770	11,571,746	8,126,653
Noncurrent liabilities	26,242,324	27,576,982	8,541,796	10,210,291	34,784,120	37,787,273
Total liabilities	36,176,527	33,914,865	10,179,339	11,999,061	46,355,866	45,913,926
Deferred inflows of resources	2,559,886	1,079,639	550,068	95,548	3,109,954	1,175,187
Net position:						
Net investment in capital assets	32,429,231	29,631,399	18,575,447	18,083,761	51,004,678	47,715,160
Restricted	1,447,106	2,099,979	1,080,484	1,121,427	2,527,590	3,221,406
Unrestricted	(8,381,086)	(7,709,497)	2,851,475	3,302,697	(5,529,611)	(4,406,800)
Total net position	\$ 25,495,251	\$ 24,021,881	\$ 22,507,406	\$ 22,507,885	\$ 48,002,657	\$ 46,529,766

The largest portion of the Village/Town's primary government net position, \$51,004,678, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment), less any related outstanding debt used to acquire those assets. The Village/Town uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the Village/Town's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$2,527,590, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The remaining balance of net position, \$(5,529,611) is considered to be unrestricted. This reflects long-term liabilities not related to the Village/Town's capital assets that will be funded annually through the funds. This demonstrates that future funding will be necessary to liquidate long-term obligations.

Table 2, as presented on the following page, shows the changes in net position for the years ended May 31, 2018 and May 31, 2017.

Table 2—Condensed Statements of Changes in Net Position—Primary Government

	Governmental Activities		Business-type Activities		Total Primary Government	
	Year Ended May 31,		Year Ended May 31,		Year Ended May 31,	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 3,552,922	\$ 3,613,693	\$ 4,918,978	\$ 5,241,863	\$ 8,471,900	\$ 8,855,556
Operating grants and contributions	370,861	1,294,764	-	-	370,861	1,294,764
General revenues	20,003,283	19,638,573	65,703	79,526	20,068,986	19,718,099
Total revenues	23,927,066	24,547,030	4,984,681	5,321,389	28,911,747	29,868,419
Program expenses	22,553,696	23,015,460	4,885,160	4,925,073	27,438,856	27,940,533
Transfers and special items	100,000	(57,023)	(100,000)	(5,574)	-	(62,597)
Change in net position	1,473,370	1,474,547	(479)	390,742	1,472,891	1,865,289
Net position—beginning, as restated	24,021,881	26,865,596	22,507,885	22,117,143	46,529,766	47,508,192
Restatement	-	(2,843,715)	-	-	-	(2,843,715)
Net position—ending	\$ 25,495,251	\$ 24,021,881	\$ 22,507,406	\$ 22,507,885	\$ 48,002,657	\$ 46,529,766

Governmental activities—Governmental activities increased the Village/Town’s net position by \$1,473,370, primarily due to an increase in sale of property revenue.

A summary of sources of revenues for governmental activities for the years ended May 31, 2018 and 2017 is presented in Table 3 below:

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended May 31,		Increase/(Decrease)	
	2018	2017	Dollars	Percent (%)
Charges for services	\$ 3,552,922	\$ 3,613,693	\$ (60,771)	(1.7)
Operating grants and contributions	370,861	1,294,764	(923,903)	(71.4)
Real property taxes and tax items	15,057,008	16,125,054	(1,068,046)	(6.6)
Other non-property taxes	2,299,458	2,084,878	214,580	10.3
Use of money and property	376,239	428,247	(52,008)	(12.1)
Sale of property and compensation for loss	1,287,420	110,836	1,176,584	1061.6
Miscellaneous	341,954	343,388	(1,434)	(0.4)
State sources—unrestricted	641,204	546,170	95,034	17.4
Total revenues	\$ 23,927,066	\$ 24,547,030	\$ (619,964)	(2.5)

The most significant sources of revenues for the year ended May 31, 2018 are real property taxes and tax items, which amount to \$15,057,008, or 62.9 percent of total revenues, charges for services, which amount to \$3,552,922, or 14.8 percent of total revenues, and other non-property taxes, which amount to \$2,299,458, or 9.6 percent of total revenues. Similarly, for the year ended May 31, 2017, the largest sources of revenues were real property taxes and tax items of \$16,125,054, or 65.7 percent of total revenues, charges for services of \$3,613,693, or 14.7 percent of total revenues, and other non-property taxes of \$2,084,878, or 8.5 percent of total revenues.

During the year ended May 31, 2018, sale of property and compensation for loss increased by \$1,176,584 due to a one time sale of vacant land during the year. Additionally, real property taxes and tax items decreased \$1,068,046 due primarily to the acquisition of properties as a result of in-rem foreclosure auctions on delinquent property tax accounts in the prior year. Operating grants and contributions decreased by \$923,903 due to a significant amount of federal aid related to the Section 8 fund decreasing as the Village/Town discontinued its Section 8 program.

A summary of program expenses for governmental activities for the years ended May 31, 2018 and 2017 is presented below in Table 4:

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended May 31,		Increase/(Decrease)	
	2018	2017	Dollars	Percent (%)
General government support	\$ 2,669,255	\$ 2,429,416	\$ 239,839	9.9
Public safety	11,238,191	11,359,538	(121,347)	(1.1)
Health	551,160	617,530	(66,370)	n/a
Transportation	1,767,201	1,762,501	4,700	0.3
Economic assistance and opportunity	437,085	1,526,970	(1,089,885)	(71.4)
Culture and recreation	2,903,707	2,998,908	(95,201)	(3.2)
Home and community services	2,788,554	2,097,737	690,817	32.9
Interest and other fiscal charges	198,543	222,860	(24,317)	(10.9)
Total program expenses	<u>\$ 22,553,696</u>	<u>\$ 23,015,460</u>	<u>\$ (461,764)</u>	(2.0)

The Village/Town's most significant expense items for governmental activities for the year ended May 31, 2018 were public safety of \$11,238,191, or 49.8 percent of total expenses, culture and recreation of \$2,903,707, or 12.9 percent of total expenses, home and community services of \$2,788,554, or 12.4 percent of total expenses, and general governmental support of \$2,669,255, or 11.8 percent of total expenses. For the year ended May 31, 2017, significant expense items were public safety of \$11,359,538, or 49.4 percent of total expenses, culture and recreation of \$2,998,908, or 13.0 percent of total expenses, general governmental support of \$2,429,416, or 10.6 percent of total expenses, and home and community services of \$2,097,737, or 9.1 percent of total expenses.

During the year ended May 31, 2018, economic assistance and opportunity decreased by \$1,089,885 due to a significant amount of expenditures related to the Section 8 Fund decreasing as the Village/Town discontinued its Section 8 program. Additionally, home and community services increased \$690,817 due primarily to increases in allocable employee benefits costs.

Business-type activities—Business-type activities decreased the Village/Town's net position by \$479. For the year ended May 31, 2018, revenues decreased 6.3 percent and expenses decreased 0.8 percent.

A summary of revenues and expenses for the Village/Town's business-type activities for the years ended May 31, 2018 and 2017 is presented on the following page.

Table 5—Summary of Revenues and Expenses—Business-type Activities

	Year Ended May 31,		Increase/(Decrease)	
	2018	2017	Dollar	Percent (%)
Revenues:				
Charges for services	\$ 4,918,978	\$ 5,241,863	\$ (322,885)	(6.2)
Use of money and property	65,337	73,546	(8,209)	(11.2)
Sale of property and compensation for loss	-	5,700	(5,700)	(100.0)
Other revenue	366	280	86	30.7
Total revenues	<u>\$ 4,984,681</u>	<u>\$ 5,321,389</u>	<u>\$ (336,708)</u>	(6.3)
Expenses:				
Personal services and employee benefits	\$ 1,755,176	\$ 1,809,439	\$ (54,263)	(3.0)
Supplies	159,823	157,130	2,693	1.7
Utilities	247,681	229,090	18,591	8.1
Contracted services	1,100,724	1,111,264	(10,540)	(0.9)
Depreciation	1,327,901	1,339,913	(12,012)	(0.9)
Interest	293,855	278,237	15,618	5.6
Total expenses	<u>\$ 4,885,160</u>	<u>\$ 4,925,073</u>	<u>\$ (39,913)</u>	(0.8)

The most significant source of revenue for business-type activities for the year ended May 31, 2018 was charges for services, which accounted for \$4,918,978, or 98.7 percent of total business-type activities revenues. Similarly, for the year ended May 31, 2017, the most significant source of revenue for business-type activities was charges for services, which accounted for \$5,241,863, or 98.5 percent of total revenues.

The Village/Town's most significant expense items for business-type activities for the year ended May 31, 2018 were personal services and employee benefits, which accounted for \$1,755,176, or 35.9 percent of total expenses, and depreciation of \$1,327,901, or 27.2 percent of total expenses. Similarly, for the year ended May 31, 2017, the most significant expense items for business-type activities were personal services and employee benefits, which accounted for \$1,809,439, or 36.7 percent of total expenses, and depreciation expense of \$1,339,913, or 27.2 percent of total expenses.

Financial Analysis of Governmental 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 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 discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the Village/Town itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Village/Town Board.

At May 31, 2018, the Village/Town's governmental funds reported combined ending fund balances of \$13,362,379, a decrease of \$913,141 from the prior year fund balance of \$14,275,520. Approximately 51.3 percent, \$6,856,577, constitutes *unassigned fund balance* which is available for spending at the Village/Town's discretion. The remainder of fund balance is either *nonspendable, restricted, committed*, or *assigned* to indicate that it is: 1) not in spendable form, \$1,823,842, 2) restricted for particular purposes, \$1,447,106, 3) committed for particular purposes, \$2,223,103, or 4) assigned for particular purposes, \$1,011,751.

The General Fund is the chief operating fund of the Village/Town. At the end of the current fiscal year, *unassigned fund balance* of the General Fund was \$7,764,954, while the total fund balance increased to \$13,646,392. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. *Unassigned fund balance* represents approximately 33.8 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 59.4 percent of that same amount.

The fund balance in the Capital Projects Fund decreased \$1,645,581 from the prior year, resulting in fund balance of \$(908,377) as of May 31, 2018.

The fund balance in the Debt Service Fund decreased \$17,208 from the prior year, resulting in fund balance of \$283,754 as of May 31, 2018.

Proprietary funds—The Village/Town's proprietary funds provide the same type of information found in the governmental-wide financial statements, but in more detail.

Net position of the Water Fund at May 31, 2018 totaled \$18,195,797, which included \$14,806,254 net investment in capital assets, \$797,278 restricted net position, and an unrestricted net position of \$2,592,265. The Water Fund net position increased \$97,590 during the year ended May 31, 2018 as a result of metered water sales in excess of water expenses.

Net position of the Sewer Fund at May 31, 2018 totaled \$4,311,609, which included \$3,769,193 net investment in capital assets, \$283,206 restricted net position, and unrestricted net position of \$259,210. The Sewer Fund net position decreased \$98,069 during the year ended May 31, 2018 primarily as a result of decreased metered sewer sales.

General Fund Budgetary Highlights

The Village/Town's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the Village/Town has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended May 31, 2018 is presented in Table 6 on the following page.

Table 6—General Fund Budget

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues and other financing sources	\$ 20,926,213	\$ 21,737,526	\$ 23,637,016	\$ 1,899,490
Expenditures and other financing uses	21,655,819	23,667,511	22,971,791	695,720
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (729,606)</u>	<u>\$ (1,929,985)</u>	<u>\$ 665,225</u>	<u>\$ 2,595,210</u>

Original budget compared to final budget—During the year, the budget is modified, primarily to reflect changes due to unanticipated revenues and expenditures. Additionally, significant transfers and amendments to the budget include supplemental appropriations within transfers out to provide funding for ongoing capital projects.

Final budget compared to actual results—The General Fund had a favorable variance from the final appropriations budget of \$695,720. The primary positive variances were realized in employee benefits and transportation due to lower than expected costs related to salaries and certain contractual costs throughout various Village/Town departments.

Capital Assets and Debt Administration

Capital assets—The Village/Town’s investment in capital assets for its governmental activities and business-type activities as of May 31, 2018, amounted to \$38,723,449 and \$26,721,985, respectively (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and infrastructure. All depreciable capital assets were depreciated from acquisition date to the end of the current year, as outlined in the Village/Town’s capital asset policy.

Capital assets, net of depreciation for the governmental activities and business-type activities at the years ended May 31, 2018 and May 31, 2017 are presented in Table 7 below:

Table 7—Summary of Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 11,577,611	\$ 11,577,611	\$ 982,787	\$ 1,082,787	\$ 12,560,398	\$ 12,660,398
Construction in progress	2,123,275	243,425	674,480	395,126	2,797,755	638,551
Land improvements	2,384,527	1,936,171	607,784	707,693	2,992,311	2,643,864
Buildings and improvements	13,923,041	14,454,487	1,870,428	1,949,225	15,793,469	16,403,712
Machinery and equipment	2,515,744	2,232,481	1,517,802	1,692,147	4,033,546	3,924,628
Infrastructure	6,199,251	5,598,681	21,068,704	21,908,435	27,267,955	27,507,116
Total	<u>\$ 38,723,449</u>	<u>\$ 36,042,856</u>	<u>\$ 26,721,985</u>	<u>\$ 27,735,413</u>	<u>\$ 65,445,434</u>	<u>\$ 63,778,269</u>

The Village/Town’s infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide and proprietary fund financial statements. The Village/Town has elected to depreciate its infrastructure assets. Additional information on Village/Town’s capital assets can be found in Note 5 to the basic financial statements.

Long-term debt—At May 31, 2018, the Village/Town had long term liabilities outstanding of \$26,242,324 and \$8,541,796 for governmental activities and business-type activities, respectively, as compared to \$27,576,982 and \$10,210,291, as restated, in the prior year. Of the total long-term liabilities outstanding at May 31, 2018, \$5,522,851 and \$7,322,149 represent serial bonds issued by the Village/Town for governmental activities and business-type activities, respectively.

A summary of the Village/Town's long-term liabilities at May 31, 2018 and May 31, 2017 is presented in Table 8 below.

Table 8—Summary of Long-Term Liabilities

	Governmental Activities		Business-type Activities		Total Primary Government	
	May 31,		May 31,		May 31,	
	2017				2017	
	2018	(as restated)	2018	2017	2018	(as restated)
Serial bonds	\$ 5,522,851	\$ 6,146,331	\$ 7,322,149	\$ 8,658,669	\$ 12,845,000	\$ 14,805,000
Premiums on serial bonds	475,072	528,255	314,133	359,009	789,205	887,264
Capital leases	17,875	-	-	-	17,875	-
Compensated absences	772,587	784,074	279,215	306,530	1,051,802	1,090,604
Landfill post-closure costs	135,878	146,178	-	-	135,878	146,178
Net pension liability	522,147	2,237,668	164,889	442,145	687,036	2,679,813
Net pension liability—LOSAP	3,108,230	2,843,715	-	-	3,108,230	2,843,715
OPEB obligation	15,687,684	14,890,761	461,410	443,938	16,149,094	15,334,699
Total	<u>\$ 26,242,324</u>	<u>\$ 27,576,982</u>	<u>\$ 8,541,796</u>	<u>\$ 10,210,291</u>	<u>\$ 34,784,120</u>	<u>\$ 37,787,273</u>

Total outstanding long-term liabilities decreased by \$3,003,153 from prior year. Major factors that contributed to this decrease include:

- The serial bonds liability decreased in the governmental and business-type activities by \$623,480 and \$1,336,520, respectively as a result of scheduled principal payments.
- The net pension liability decreased in the governmental and business-type activities by \$1,715,521 and \$277,256, respectively. This liability is based on actuarial results related to the New York State retirement contribution programs. However, the net pension liability related to LOSAP increased by \$264,515 for governmental activities.
- Obligations for other postemployment benefits ("OPEB") increased in the governmental and business-type activities by \$796,923 and \$17,472, respectively. This obligation is a commitment the Village/Town has made to its employees pursuant to contract negotiations. Newer contracts require increased employee contributions and increased length of employment to qualify for retiree health benefits.

Additional information on the Village/Town's long-term debt can be found in Note 11 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate, not seasonally adjusted, for the region at May 31, 2018 was 4.6 percent. This compares to New York State's average unemployment rate of 4.4 percent and the national average unemployment rate of 4.1 percent. These factors are considered in preparing the Village/Town's budget.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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VILLAGE/TOWN OF MOUNT KISCO, NEW YORK

Statement of Net Position

May 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,107,506	\$ 3,645,207	\$ 18,752,713
Restricted cash and cash equivalents	3,885,277	1,080,484	4,965,761
Receivables (net of allowance for uncollectibles):			
Taxes	633,202	-	633,202
Accounts receivable	592,151	1,160,803	1,752,954
Internal balances	11	(11)	-
Due from Agency Fund	34	-	34
Intergovernmental receivables	1,514,283	3,840	1,518,123
Real estate acquired for resale	1,794,149	-	1,794,149
Prepaid items	29,693	11,662	41,355
Capital assets, not being depreciated	13,700,886	1,657,266	15,358,152
Capital assets, net of accumulated depreciation	25,022,563	25,064,719	50,087,282
Total assets	<u>62,279,755</u>	<u>32,623,970</u>	<u>94,903,725</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	236,639	156,472	393,111
Deferred outflows—relating to pensions	1,715,281	456,360	2,171,641
Total deferred outflows of resources	<u>1,951,920</u>	<u>612,832</u>	<u>2,564,752</u>
LIABILITIES			
Accounts payable	926,912	203,767	1,130,679
Accrued liabilities	2,488,449	210,362	2,698,811
Intergovernmental payables	3,565,623	23,403	3,589,026
Unearned revenue	258,230	-	258,230
Bond anticipation notes payable	2,695,000	1,200,000	3,895,000
Noncurrent liabilities:			
Due within one year	689,201	1,468,548	2,157,749
Due within more than one year	25,553,123	7,073,248	32,626,371
Total liabilities	<u>36,176,538</u>	<u>10,179,328</u>	<u>46,355,866</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows—relating to pensions	2,559,886	550,068	3,109,954
Total deferred inflows of resources	<u>2,559,886</u>	<u>550,068</u>	<u>3,109,954</u>
NET POSITION			
Net investment in capital assets	32,429,231	18,575,447	51,004,678
Restricted for:			
Unemployment benefits	33,580	15,154	48,734
Open space	961,218	-	961,218
Special purposes	40,477	-	40,477
Capital projects	56	178,314	178,370
Debt service	411,775	106,066	517,841
Other	-	780,950	780,950
Unrestricted	(8,381,086)	2,851,475	(5,529,611)
Total net position	<u>\$ 25,495,251</u>	<u>\$ 22,507,406</u>	<u>\$ 48,002,657</u>

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, 2018

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
Primary government:							
Governmental activities:							
General government support	\$ 2,669,255	\$ 792,253	\$ 5,657	\$ (1,871,345)	\$ -	\$ (1,871,345)	
Public safety	11,238,191	1,190,840	-	(10,047,351)	-	(10,047,351)	
Health	551,160	39,440	82,201	(429,519)	-	(429,519)	
Transportation	1,767,201	954,863	191,128	(621,210)	-	(621,210)	
Economic assistance and opportunity	437,085	31,774	83,968	(321,343)	-	(321,343)	
Culture and recreation	2,903,707	496,802	2,262	(2,404,643)	-	(2,404,643)	
Home and community services	2,788,554	46,950	5,645	(2,735,959)	-	(2,735,959)	
Interest and other fiscal charges	198,543	-	-	(198,543)	-	(198,543)	
Total governmental activities	22,553,696	3,552,922	370,861	(18,629,913)	-	(18,629,913)	
Business-type activities:							
Water	3,948,865	4,082,370	-	-	133,505	133,505	
Sewer	936,295	836,608	-	-	(99,687)	(99,687)	
Total business-type activities	4,885,160	4,918,978	-	-	33,818	33,818	
Total primary government	\$ 27,438,856	\$ 8,471,900	\$ 370,861	(18,629,913)	33,818	(18,596,095)	
General revenues:							
Real property taxes and tax items				15,057,008	-	15,057,008	
Other non-property taxes				2,299,458	-	2,299,458	
Use of money and property				376,239	65,337	441,576	
Sale of property and compensation for loss				1,287,420	-	1,287,420	
Miscellaneous				341,954	366	342,320	
State sources—unrestricted				641,204	-	641,204	
Special item—residual equity transfer				100,000	(100,000)	-	
Total general revenues and special item				20,103,283	(34,297)	20,068,986	
Change in net position				1,473,370	(479)	1,472,891	
Net position—beginning, as restated				24,021,881	22,507,885	46,529,766	
Net position—ending				\$ 25,495,251	\$ 22,507,406	\$ 48,002,657	

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

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Balance Sheet—Governmental Funds
May 31, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 14,728,219	\$ -	\$ -	\$ 379,287	\$ 15,107,506
Restricted cash and cash equivalents	1,376,682	2,179,941	283,754	44,900	3,885,277
Receivables (net of allowances for uncollectibles):					
Taxes	633,202	-	-	-	633,202
Accounts receivable	592,151	-	-	-	592,151
Due from other funds	69	-	-	-	69
Intergovernmental receivables	1,363,060	151,223	-	-	1,514,283
Real estate acquired for resale	1,794,149	-	-	-	1,794,149
Prepaid items	29,043	-	-	650	29,693
Total assets	<u>\$ 20,516,575</u>	<u>\$ 2,331,164</u>	<u>\$ 283,754</u>	<u>\$ 424,837</u>	<u>\$ 23,556,330</u>
LIABILITIES					
Accounts payable	\$ 358,883	\$ 544,541	\$ -	\$ 23,488	\$ 926,912
Accrued liabilities	2,378,645	-	-	49,065	2,427,710
Due to other funds	-	-	-	24	24
Intergovernmental payables	3,553,973	-	-	11,650	3,565,623
Bond anticipation notes payable	-	2,695,000	-	-	2,695,000
Unearned revenue	258,230	-	-	-	258,230
Total liabilities	<u>6,549,731</u>	<u>3,239,541</u>	<u>-</u>	<u>84,227</u>	<u>9,873,499</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	320,452	-	-	-	320,452
Total deferred inflows of resources	<u>320,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,452</u>
FUND BALANCES (DEFICIT)					
Nonspendable	1,823,192	-	-	650	1,823,842
Restricted	1,118,452	-	283,754	44,900	1,447,106
Committed	2,223,103	-	-	-	2,223,103
Assigned	716,691	-	-	295,060	1,011,751
Unassigned	7,764,954	(908,377)	-	-	6,856,577
Total fund balances (deficit)	<u>13,646,392</u>	<u>(908,377)</u>	<u>283,754</u>	<u>340,610</u>	<u>13,362,379</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 20,516,575</u>	<u>\$ 2,331,164</u>	<u>\$ 283,754</u>	<u>\$ 424,837</u>	<u>\$ 23,556,330</u>

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

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
May 31, 2018

Amounts reported for governmental activities in the statement of net position (page 15) are different because:

Total fund balances (deficit)—governmental funds (page 17)		\$ 13,362,379
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$71,927,464 and the accumulated depreciation is \$33,204,015.		38,723,449
Real property taxes not collected within 60 days of year end are reported as deferred inflows of resources in the fund statements, but are recognized on the accrual basis for the government-wide statements.		320,452
Deferred charges associated with refunding of bonds are not reported in the governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.		236,639
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions and benefit payments	\$ 102,236	
Deferred outflows related to experience, changes in assumptions and investment earnings	1,613,045	
Deferred inflows related to pension plans	<u>(2,559,886)</u>	(844,605)
Net accrued interest expense for serial bonds is not reported in the fund statements.		(60,739)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Serial bonds	\$ (5,522,851)	
Premium on serial bonds	(475,072)	
Capital leases	(17,875)	
Compensated absences	(772,587)	
Landfill post-closure costs	(135,878)	
Net pension liability	(522,147)	
Net pension liability—LOSAP	(3,108,230)	
OPEB obligation	<u>(15,687,684)</u>	<u>(26,242,324)</u>
Net position of governmental activities		<u>\$ 25,495,251</u>

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 (Deficit)—Governmental Funds
Year Ended May 31, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes and tax items	\$ 15,146,493	\$ -	\$ -	\$ -	\$ 15,146,493
Non-property tax items	2,299,458	-	-	-	2,299,458
Departmental income	2,067,781	-	-	1,780	2,069,561
Intergovernmental charges	711,947	-	-	-	711,947
Use of money and property	368,042	-	2,786	5,411	376,239
Licenses and permits	115,027	-	-	-	115,027
Fines and forfeitures	656,387	-	-	-	656,387
Sale of property and compensation for loss	1,387,420	-	-	-	1,387,420
Miscellaneous	39,776	258,152	-	24,526	322,454
State aid	649,111	151,223	-	5,657	805,991
Federal aid	176,074	30,000	-	-	206,074
Total revenues	<u>23,617,516</u>	<u>439,375</u>	<u>2,786</u>	<u>37,374</u>	<u>24,097,051</u>
EXPENDITURES					
Current:					
General government support	1,966,225	-	-	16,959	1,983,184
Public safety	8,525,894	-	-	-	8,525,894
Health	424,997	-	-	-	424,997
Transportation	919,782	-	-	-	919,782
Economic assistance and opportunity	305,233	-	-	-	305,233
Culture and recreation	1,094,457	-	-	831,118	1,925,575
Home and community services	2,084,760	-	-	-	2,084,760
Employee benefits	3,289,155	-	-	279,030	3,568,185
Debt service:					
Principal	1,625	-	623,480	-	625,105
Interest and other fiscal charges	-	-	232,335	-	232,335
Capital outlay	-	4,434,642	-	-	4,434,642
Total expenditures	<u>18,612,128</u>	<u>4,434,642</u>	<u>855,815</u>	<u>1,127,107</u>	<u>25,029,692</u>
Excess (deficiency) of revenues over expenditures	<u>5,005,388</u>	<u>(3,995,267)</u>	<u>(853,029)</u>	<u>(1,089,733)</u>	<u>(932,641)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	2,349,686	855,815	1,822,994	5,028,495
Transfers out	(4,359,663)	-	(19,994)	(648,838)	(5,028,495)
Proceeds from capital lease	19,500	-	-	-	19,500
Total other financing sources (uses)	<u>(4,340,163)</u>	<u>2,349,686</u>	<u>835,821</u>	<u>1,174,156</u>	<u>19,500</u>
Net change in fund balances	665,225	(1,645,581)	(17,208)	84,423	(913,141)
Fund balances—beginning	12,981,167	737,204	300,962	256,187	14,275,520
Fund balances (deficit)—ending	<u>\$ 13,646,392</u>	<u>\$ (908,377)</u>	<u>\$ 283,754</u>	<u>\$ 340,610</u>	<u>\$ 13,362,379</u>

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

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended May 31, 2018

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Net change in fund balances (deficit)—total governmental funds (page 19) \$ (913,141)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions, net of transfers	\$ 4,428,669	
Depreciation expense	<u>(1,748,076)</u>	2,680,593

Governmental funds recognize real property taxes only if collected within 60 days after the end of the fiscal year; however, the government-wide statements recognize revenue on a full accrual basis.

(89,485)

Deferred charges associated with refunding of bonds are not reported in the governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.

(26,490)

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

Village/Town pension contributions	\$ 757,039	
Cost of benefits earned net of employee contributions	<u>(825,897)</u>	(68,858)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.

7,099

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on 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. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Repayment of serial bonds	\$ 623,480	
Amortization of bond premiums	53,183	
Proceeds from capital lease	(19,500)	
Repayment of capital lease	1,625	
Change in compensated absences	11,487	
Change in landfill post-closure costs	10,300	
Change in OPEB obligation	<u>(796,923)</u>	<u>(116,348)</u>

Change in net position of governmental activities \$ 1,473,370

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, 2018

	Business-type Activities		
	Water	Sewer	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,624,613	\$ 1,020,594	\$ 3,645,207
Restricted cash and cash equivalents	797,278	283,206	1,080,484
Receivables	966,973	193,830	1,160,803
Intergovernmental receivables	3,840	-	3,840
Prepaid items	9,179	2,483	11,662
Total current assets	<u>4,401,883</u>	<u>1,500,113</u>	<u>5,901,996</u>
Noncurrent assets:			
Capital assets not being depreciated:			
Land	492,276	490,511	982,787
Construction in progress	674,479	-	674,479
Capital assets, net of accumulated depreciation:			
Land improvements	607,783	-	607,783
Buildings and improvements	1,803,823	66,610	1,870,433
Machinery and equipment	1,443,543	74,258	1,517,801
Infrastructure	17,264,160	3,804,542	21,068,702
Total noncurrent assets	<u>22,286,064</u>	<u>4,435,921</u>	<u>26,721,985</u>
Total assets	<u>26,687,947</u>	<u>5,936,034</u>	<u>32,623,981</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	156,472	-	156,472
Deferred outflows - relating to pensions	304,240	152,120	456,360
Total deferred outflows of resources	<u>460,712</u>	<u>152,120</u>	<u>612,832</u>
LIABILITIES			
Current liabilities:			
Accounts payable	194,581	9,186	203,767
Accrued liabilities	64,793	36,919	101,712
Accrued interest payable	105,676	2,974	108,650
Due to other funds	9	2	11
Intergovernmental payables	18,746	4,657	23,403
Bond anticipation notes payable	-	1,200,000	1,200,000
Total current liabilities	<u>383,805</u>	<u>1,253,738</u>	<u>1,637,543</u>
Noncurrent liabilities:			
Due within one year	1,458,555	9,993	1,468,548
Due within more than one year	6,743,790	329,458	7,073,248
Total noncurrent liabilities	<u>8,202,345</u>	<u>339,451</u>	<u>8,541,796</u>
Total liabilities	<u>8,586,150</u>	<u>1,593,189</u>	<u>10,179,339</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - relating to pensions	366,712	183,356	550,068
Total deferred inflows of resources	<u>366,712</u>	<u>183,356</u>	<u>550,068</u>
NET POSITION			
Net investment in capital assets	14,806,254	3,769,193	18,575,447
Restricted for:	797,278	283,206	1,080,484
Unemployment insurance	15,154	-	15,154
Capital improvements	178,314	-	178,314
Debt Service	106,066	-	106,066
Other	497,744	283,206	780,950
Unrestricted	2,592,265	259,210	2,851,475
Total net position	<u>\$ 18,195,797</u>	<u>\$ 4,311,609</u>	<u>\$ 22,507,406</u>

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, 2018

	Business-type Activities		
	Water	Sewer	Total Enterprise Funds
Operating revenues:			
Charges for services	\$ 4,082,370	\$ 836,608	\$ 4,918,978
Miscellaneous	366	-	366
Total operating revenues	<u>4,082,736</u>	<u>836,608</u>	<u>4,919,344</u>
Operating expenses:			
Personal services	760,959	384,928	1,145,887
Supplies	157,747	2,076	159,823
Utilities	238,679	9,002	247,681
Contractual expenses	932,958	167,766	1,100,724
Employee benefits	432,728	176,561	609,289
Depreciation	<u>1,148,780</u>	<u>179,121</u>	<u>1,327,901</u>
Total operating expenses	<u>3,671,851</u>	<u>919,454</u>	<u>4,591,305</u>
Operating income (loss)	<u>410,885</u>	<u>(82,846)</u>	<u>328,039</u>
Nonoperating revenues (expenses):			
Interest earnings	63,719	1,618	65,337
Interest expense	<u>(277,014)</u>	<u>(16,841)</u>	<u>(293,855)</u>
Total nonoperating revenues (expenses)	<u>(213,295)</u>	<u>(15,223)</u>	<u>(228,518)</u>
Income (loss) before transfers	197,590	(98,069)	99,521
Special item—residual equity transfer	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Change in net position	97,590	(98,069)	(479)
Total net position—beginning	<u>18,098,207</u>	<u>4,409,678</u>	<u>22,507,885</u>
Total net position—ending	<u>\$ 18,195,797</u>	<u>\$ 4,311,609</u>	<u>\$ 22,507,406</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, 2018

	Business-type Activities		
	Water	Sewer	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from services provided	\$ 4,178,346	\$ 861,705	\$ 5,040,051
Receipts from other operating revenue	366	-	366
Payments to employees	(760,959)	(384,928)	(1,145,887)
Payments for employee benefits	(421,851)	(165,682)	(587,533)
Payments to suppliers of contracted services	(1,424,879)	(188,234)	(1,613,113)
Net cash provided by operating activities	<u>1,571,023</u>	<u>122,861</u>	<u>1,693,884</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers to governmental activities	(100,000)	-	(100,000)
Acquisition of capital assets	(281,421)	(33,050)	(314,471)
Principal payments on bond anticipation notes	-	(60,000)	(60,000)
Principal payments on bonds	(1,336,520)	-	(1,336,520)
Interest payments	(316,947)	(17,274)	(334,221)
Net cash (used for) capital and related financing activities	<u>(2,034,888)</u>	<u>(110,324)</u>	<u>(2,145,212)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income earned	<u>63,719</u>	<u>1,618</u>	<u>65,337</u>
Net cash provided by investing activities	<u>63,719</u>	<u>1,618</u>	<u>65,337</u>
(Decrease) increase in cash and cash equivalents	(400,146)	14,155	(385,991)
Cash and cash equivalents—beginning of year	<u>3,822,037</u>	<u>1,289,645</u>	<u>5,111,682</u>
Cash and cash equivalents—end of year	<u>\$ 3,421,891</u>	<u>\$ 1,303,800</u>	<u>\$ 4,725,691</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 410,885	\$ (82,846)	\$ 328,039
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,148,780	179,121	1,327,901
Changes in assets and liabilities affecting cash flow:			
Decrease in receivables	95,976	25,096	121,072
(Increase) in prepaid items	(2,047)	(893)	(2,940)
(Increase) in deferred outflows of resources	(116,149)	(58,074)	(174,223)
(Decrease) in payables	(93,448)	(8,497)	(101,945)
Increase in accrued liabilities	12,215	16,345	28,560
(Decrease) in noncurrent liabilities	(188,202)	(98,898)	(287,100)
Increase in deferred inflows of resources	<u>303,013</u>	<u>151,507</u>	<u>454,520</u>
Total adjustments	<u>1,160,138</u>	<u>205,707</u>	<u>1,365,845</u>
Net cash provided by operating activities	<u>\$ 1,571,023</u>	<u>\$ 122,861</u>	<u>\$ 1,693,884</u>

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

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VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Statement of Net Position—Fiduciary Funds
May 31, 2018

	<u>Pension Trust</u>	<u>Agency</u>
ASSETS		
Restricted cash and cash equivalents	\$ 42,452	\$ 337,557
Receivables	-	14,484
Restricted investments	<u>3,783,507</u>	<u>-</u>
Total assets	<u>3,825,959</u>	<u>\$ 352,041</u>
LIABILITIES		
Accounts payable	-	\$ 37,614
Due to other funds	-	34
Other agency liabilities	<u>-</u>	<u>314,393</u>
Total liabilities	<u>-</u>	<u>\$ 352,041</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 3,825,959</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 Net Position—Fiduciary Funds
Year Ended May 31, 2018

	<u>Pension Trust</u>
ADDITIONS	
Net investment income	\$ 106,973
Pension contributions	329,863
Net change in fair value of investments	<u>190,469</u>
Total additions	<u>627,305</u>
DEDUCTIONS	
Pension benefits	197,185
Administrative fees	<u>48,851</u>
Total deductions	<u>246,036</u>
Change in net position	381,269
Fund balances—beginning	<u>3,444,690</u>
Fund balances—ending	<u><u>\$ 3,825,959</u></u>

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

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VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Notes to the Financial Statements
Year Ended May 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Village/Town of Mount Kisco, New York (the “Village/Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village/Town’s accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village/Town. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Village/Town reports no component units.

Reporting Entity

The Village/Town was established in 1875 as a Village, and a coterminous Village/Town on January 1, 1978 pursuant to an act of the New York State Legislature and with voter approval. New York State law has designated certain governmental functions as a Town responsibility, while other functions are the responsibility of Village/Town government. The Village/Town operates under a Board of Trustees/Town Board (the “Boards”) form of government in accordance with its Village Code and the various other applicable laws of the State of New York. The Mayor/Supervisor and members of the Boards are the legislative bodies responsible for overall operation. The Village Manager serves as the chief administrative officer and the Village Treasurer serves as the chief financial officer.

The Village/Town provides the following services to its residents: public safety, health, public library, water and sewer services, transportation, economic assistance and opportunity, culture and recreation, home and community services and general and administrative support. The Police Department ceased operation on June 1, 2015, when the Village/Town’s police functions were transferred from the Village/Town to the County of Westchester. The Village/Town’s Section 8 housing assistance services were transferred from the Village/Town to the Mount Kisco Housing Authority (the “Authority”) on January 1, 2017.

Related Organization—The Mount Kisco Housing Authority (the “Authority”) is a related organization to the Village/Town at May 31, 2018. Although the Village/Town appoints a majority of the Authority’s board, it may not remove any board members at will and the Village/Town has no ongoing relationship with the appointees.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the Village/Town's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Village/Town's funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Village/Town reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the Village/Town and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment other than those financed by enterprise funds.
- *Debt Service Fund*—The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The Village/Town reports the following major proprietary funds:

- *Water Fund*—The Water Fund accounts for the activities of the Village/Town's water utility operations. Water services are available to the residents of the Village/Town.
- *Sewer Fund*—The Sewer Fund is used to record the operations and maintenance of sewer services provided by the Village/Town.

These entities are financed and operated in a manner similar to a private business enterprise. The intent of the Village/Town is that the operating expenses (including depreciation and amortization expense) of providing goods or services to the general public on a continuous basis are to be financed or recovered primarily through user charges. The Village/Town may provide administrative, legal and operational assistance to the proprietary funds, which are not charged.

Additionally, the Village/Town reports the following fund types:

Special Revenue Funds—These nonmajor governmental funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditures for specified purposes. The following special revenue funds are utilized:

- *Public Library Fund*—The Public Library Fund is used to account for the activities of the Mount Kisco Public Library.
- *Special Purpose Fund*—The Special Purpose Fund is used to account for assets held by the Village/Town in accordance with the terms of a trust agreement.

Fiduciary Funds—These funds are used to account for assets held by the Village/Town in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Fiduciary funds include the *Pension Trust Fund* and the *Agency Fund*.

- *Pension Trust Fund*—The Pension Trust Fund is used to account for the service award programs for both firefighter and ambulance volunteers.
- *Agency Fund*—The Agency Fund is used to account for assets held by the Village/Town in a trustee capacity or as an agent for individuals or other governmental units.

During the course of operations the Village/Town has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, transfers between the funds included in the business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

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* or *economic resources*. 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*. 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 revenue 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.

The 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. For this purpose, the Village/Town considers revenues to be available if they are collected within 90 days of the end of the current fiscal period (60 days when measuring property taxes). 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, claims and judgments, pensions, and other postemployment benefits are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability. All other revenue items are considered to be measureable and available only when cash is received by the Village/Town.

The proprietary and pension trust funds are reported using the *economic resource measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents—The Village/Town’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

Restricted Cash, Cash Equivalents and Investments—Restricted cash and cash equivalents represents amounts to support restricted fund balance, future disbursements associated with unearned revenue, and unspent proceeds from debt issuances. New York State law governs the Village/Town’s investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. 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—The Village/Town is responsible for the collection of taxes. 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. Taxes receivable are shown net of an allowance for uncollectible accounts, where applicable.

Accounts Receivable—Accounts receivable include amounts due from state and federal governments represent amounts owed to the Village/Town to reimburse it for expenditures incurred pursuant to state and federally funded programs. Receivables are recorded and revenues recognized as earned. Allowances are recorded when appropriate.

Real Estate Acquired for Resale—In the course of conducting its responsibilities for conducting in-rem foreclosure proceedings, the Village/Town acquires real property available for resale. The value recorded for this property is established by its acquisition cost and additional cost of improvements made on the property until the asset is ready for sale. When the property is ready for sale, market value can be established.

Prepaid Items—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

Capital Assets—Capital assets, which include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements, as well as within the individual proprietary funds. Capital assets are defined by the Village/Town as assets with an initial individual cost of more than \$5,000 (except for computers which have an established threshold of \$1,000) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of its donation. Major outlays for capital assets and improvements are capitalized as projects are completed.

Land and construction in progress are not depreciated. The other capital assets of the Village/Town are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	20
Buildings and improvements	20-40
Machinery and equipment	5-20
Computers	4
Other	3-10
Infrastructure	20-50

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new road maintenance vehicle included as part of *expenditures—transportation*). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

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, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At May 31, 2018, the Village/Town has two items that qualify for reporting in this category. The first item is a deferred charge on refunding which the Village/Town reports within its governmental and business-type activities. A deferred charge on refunding results from the difference in the carrying value of 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 second item is related to pensions reported in the government-wide and proprietary fund financial statements. This represents the effect of the net change in the Village/Town's proportion of the collective net pension liability, and the difference during the measurement period between the Village/Town's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date.

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, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At May 31, 2018, the Village/Town reports two items that qualify for reporting in this category. The first item represents the effect of the net change in the Village/Town's proportion of the collective net pension liability and the difference during the measurement periods between the Village/Town's contributions, and its proportionate share of total contributions to the pension systems not included in pension expense. Additionally, the Village/Town reported unavailable revenue on the balance sheet for governmental funds in the amount of \$320,452, which represents taxes that the Village/Town does not expect to receive within 60 days of year-end.

Net Position Flow Assumptions—Sometimes the Village/Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village/Town's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—Sometimes the Village/Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned 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. It is the Village/Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Village/Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Village/Town's highest level of decision-making authority. The Boards are the highest level of decision-making authority for the Village/Town that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Village/Town for specific purposes, but do not meet the criteria to be classified as committed. The Boards may assign fund balance as they do when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied annually on June 1st. The Village/Town tax rate is based on the amount per \$1,000 assessed valuation. Delinquent accounts of water and sewer billings are transferred to the Village/Town real property tax roll annually for re-levy and collection. The first half of payable Village/Town property taxes are due June 30th without penalty; a 2% penalty is imposed on July 1st, and 1% added on the first day of each month thereafter. The second half of payable taxes are due December 31st, without penalty; a 2% penalty is imposed on January 1st, and 1% added on the first day of each month thereafter. Outstanding taxes remain a liability for the Village/Town as amounts are not forwarded to the County for re-levy and collection.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At May 31, 2018, the Village/Town reported unearned revenues of \$258,230 within the General Fund. The Village/Town received fees related to recreation camp in advance but have not performed the associated services and therefore recognizes a liability.

Compensated Absences—The Village/Town labor agreements and rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences in varying amounts. Upon retirement, certain eligible employees qualify for payment for fractional values of unused leave time. These payments are budgeted annually without accrual. Estimated leave is accumulated and recorded for government-wide and proprietary fund reporting purposes.

Payment of compensated absences recorded in the government-wide financial statements is dependent on many factors; therefore, the timing of future payments is not readily determinable. However,

Pensions—The Village/Town is mandated by New York State law to participate in the New York State Police and Fire Retirement System (“PFRS”) and the New York State and Local Employees’ Retirement System (“ERS”). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

Service Awards—The Village/Town has adopted a Length of Service Award Program (“LOSAP”) for firefighters and ambulance personnel that serve on a volunteer basis. The program is administered by an outside agency, with the Village/Town as a trustee. More information is included in Note 8.

Other Postemployment Benefits—In addition to providing pension benefits, the Village/Town provides health insurance coverage for certain retired employees, as disclosed in Note 9.

Other

Special Item—During the year ended May 31, 2018, the Village/Town management approved and executed a residual equity transfer from its business-type activities Water Fund to the governmental activities.

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

Adoption of New Accounting Pronouncements— During the year ended May 31, 2018, the Village/Town implemented GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB Statement No. 73 establishes a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) for making decisions and accessing accountability. GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The objective of GASB Statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The impact of the implementation of GASB Statement No. 73 resulted in a \$2,843,715 reduction of the

Village/Town's governmental activities net position at May 31, 2017 (see Note 2). The implementation of GASB Statements No. 74, 80, 81 and 82 did not have a material impact on the Village/Town's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Village/Town has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, No. 85, *Omnibus*, and No. 86, *Certain Debt Extinguishments Issues*, effective for the year ending May 31, 2019; No. 83, *Certain Asset Retirement Obligations*, No. 84, *Fiduciary Activities*, No. 88, *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*, and No. 90, *Majority Equity Interests—an Amendment of GASB Statements No. 14 and No. 61*, effective for the year ending May 31, 2020; and No. 87, *Leases*, and No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, effective for the year ending May 31, 2021. The Village/Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 75, 83, 84, 85, 86, 87, 88, 89 and 90 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets—The Village follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- No later than March 20th, the budget officer prepares and files a tentative budget with 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 them.
- A public hearing is required to be held on or before April 15th in order to obtain taxpayer comments.
- By May 1st the Board of Trustees is required to adopt a budget and appended salary and wage schedule.
- Formal budgetary integration is employed during the year as a management control device for General, Public Library and Debt Service Funds.

2. RESTATEMENT OF NET POSITION

The Village/Town implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* for the year ended May 31, 2018. The implementation of GASB Statement No. 73 requires the Village/Town's net pension liability related to LOSAP to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the LOSAP plan's fiduciary net position. As a result, the pension liability related to LOSAP was estimated to be \$2,843,715 at May 31, 2017. Net position of the Village's governmental activities has been restated by \$(2,843,715).

The effect of the restatement to the Village/Town's governmental activities is summarized below:

	Governmental Activities
Net position—May 31, 2017, as previously stated	\$ 26,865,596
GASB Statement No. 73 implementation:	
Beginning system liability—LOSAP	(2,843,715)
Net position—May 31, 2017, as restated	<u>\$ 24,021,881</u>

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Village/Town's investment policies are governed by State statutes. In addition, the Village/Town has its own written investment policy. Village/Town monies must be deposited in FDIC-insured commercial banks or trust companies located within New York 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 and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100 percent 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. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash, cash equivalents and investments at May 31, 2018 are as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 650	\$ -	\$ -	\$ 650
Deposits	18,992,133	4,725,691	380,009	24,097,833
Investments	-	-	3,783,507	3,783,507
Total	<u>\$ 18,992,783</u>	<u>\$ 4,725,691</u>	<u>\$ 4,163,516</u>	<u>\$ 27,881,990</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at May 31, 2018 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 1,500,000	\$ 1,500,000
Uninsured:		
Collateral held by pledging bank's agent in the Village/Town's name	22,856,475	22,597,833
Total	<u>\$ 24,356,475</u>	<u>\$ 24,097,833</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Village/Town's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At May 31, 2018, the Village/Town's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the Village/Town's name.

Restricted Cash, Cash Equivalents, and Investments—The Village/Town reports unspent proceeds of debt, and amounts to support unearned revenue and restricted fund balances as restricted cash and cash equivalents. At May 31, 2018, the Village/Town reported \$3,885,277 of restricted cash within its governmental funds. Additionally, the Village/Town reported \$380,009 of restricted cash within its fiduciary funds. The Village/Town reported \$3,391,034 and \$392,473 of service award program investments for fire and ambulance, respectively, within the Pension Trust Fund at May 31, 2018. The funds are invested in a variety of instruments by the trustee. These investments are not subject to risk categorization.

Interest Rate Risk—In accordance with its investment policy, the Village/Town manages exposures by limiting investments to low risk type investments governed by New York State statutes.

4. RECEIVABLES

Major revenues accrued by the Village/Town at May 31, 2018 consisted of the following:

Taxes Receivable—Represents amounts due from taxpayers that remain unpaid. At May 31, 2018, the Village/Town recorded \$633,202 related to taxes receivable. These amounts are reported net of an allowance for uncollectible taxes provision of \$168,411.

Accounts Receivable—Represents amounts due from various sources. The Village/Town's significant accounts receivable at May 31, 2018 are presented below:

Governmental funds:

General Fund:

Payment in lieu of rent agreements	\$	240,000
Village court		85,235
Franchise fees		99,314
Rental agreements		71,140
Other		139,957
Less: allowance for uncollectables		<u>(43,495)</u>
Total governmental funds	\$	<u>592,151</u>

Proprietary funds:

Water Fund:

Water charges	\$	966,973
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Sewer Fund:

Sewer rents		<u>193,830</u>
Total proprietary funds	\$	<u>1,160,803</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State and other local governments. Significant intergovernmental receivables at May 31, 2018 are presented below:

Governmental funds:

General Fund:

Fire district billings	\$	640,959
Sales tax		442,773
Mortgage tax		151,680
Other		<u>127,648</u>
	\$	1,363,060

Capital Projects Fund:

State aid		<u>151,223</u>
Total governmental funds	\$	<u>1,514,283</u>

5. CAPITAL ASSETS

Governmental activities—Capital asset activity for the Village/Town's governmental activities for the year ended May 31, 2018 was as follows:

	Balance 6/1/2017	Increases	Decreases	Balance 5/31/2018
Capital assets, not being depreciated:				
Land	\$ 11,577,611	\$ 100,000	\$ 100,000	\$ 11,577,611
Construction in progress	243,425	1,879,850	-	2,123,275
Total capital assets, not being depreciated	<u>11,821,036</u>	<u>1,979,850</u>	<u>100,000</u>	<u>13,700,886</u>
Capital assets, being depreciated:				
Land improvements	12,555,659	839,052	-	13,394,711
Buildings and improvements	23,900,503	71,447	-	23,971,950
Machinery and equipment	7,278,687	624,680	100,578	7,802,789
Infrastructure	<u>12,043,488</u>	<u>1,013,640</u>	<u>-</u>	<u>13,057,128</u>
Total capital assets, being depreciated	<u>55,778,337</u>	<u>2,548,819</u>	<u>100,578</u>	<u>58,226,578</u>
Less accumulated depreciation for:				
Land improvements	10,619,488	390,695	-	11,010,183
Buildings and improvements	9,446,016	602,895	-	10,048,911
Machinery and equipment	5,046,206	341,416	100,578	5,287,044
Infrastructure	<u>6,444,807</u>	<u>413,070</u>	<u>-</u>	<u>6,857,877</u>
Total accumulated depreciation	<u>31,556,517</u>	<u>1,748,076</u>	<u>100,578</u>	<u>33,204,015</u>
Total capital assets, being depreciated, net	<u>24,221,820</u>	<u>800,743</u>	<u>-</u>	<u>25,022,563</u>
Governmental activities capital assets, net	<u>\$ 36,042,856</u>	<u>\$ 2,780,593</u>	<u>\$ 100,000</u>	<u>\$ 38,723,449</u>

Depreciation expense was charged to the functions and programs of governmental activities as follows:

General governmental support	\$ 139,192
Public safety	375,987
Health	9,922
Transportation	595,850
Economic assistance and opportunity	40,179
Culture and recreation	443,052
Home and community services	<u>143,894</u>
Total governmental activities	<u>\$ 1,748,076</u>

Business-type activities—Capital asset activity for the Village/Town’s business-type activities for the year ended May 31, 2018 was as follows:

	Balance 6/1/2017	Increases	Decreases	Balance 5/31/2018
Capital assets, not being depreciated:				
Land	\$ 1,082,787	\$ -	\$ 100,000	\$ 982,787
Construction in progress	395,126	279,353	-	674,479
Total capital assets, not being depreciated	<u>1,477,913</u>	<u>279,353</u>	<u>100,000</u>	<u>1,657,266</u>
Capital assets, being depreciated:				
Land improvements	2,142,476	-	-	2,142,476
Buildings and improvements	3,420,919	-	-	3,420,919
Machinery and equipment	6,013,519	59,397	-	6,072,916
Infrastructure	<u>36,266,387</u>	<u>75,723</u>	<u>-</u>	<u>36,342,110</u>
Total capital assets, being depreciated	<u>47,843,301</u>	<u>135,120</u>	<u>-</u>	<u>47,978,421</u>
Less accumulated depreciation for:				
Land improvements	1,434,783	99,910	-	1,534,693
Buildings and improvements	1,471,694	78,792	-	1,550,486
Machinery and equipment	4,321,372	233,743	-	4,555,115
Infrastructure	<u>14,357,952</u>	<u>915,456</u>	<u>-</u>	<u>15,273,408</u>
Total accumulated depreciation	<u>21,585,801</u>	<u>1,327,901</u>	<u>-</u>	<u>22,913,702</u>
Total capital assets, being depreciated, net	<u>26,257,500</u>	<u>(1,192,781)</u>	<u>-</u>	<u>25,064,719</u>
Business-type activities capital assets, net	<u>\$ 27,735,413</u>	<u>\$ (913,428)</u>	<u>\$ 100,000</u>	<u>\$ 26,721,985</u>

Depreciation expense was charged to the functions and programs of business-type activities as follows:

Water	\$ 1,148,780
Sewer	<u>179,121</u>
Total business-type activities	<u>\$ 1,327,901</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental and proprietary funds at May 31, 2018, were as follows:

	Governmental Funds		
	General Fund	Nonmajor Governmental Funds	Total
Salaries and employee benefits	\$ 340,790	\$ 41,251	\$ 382,041
Policing services contract	1,942,682	-	1,942,682
Current health claims	95,173	7,814	102,987
Total accrued liabilities	<u>\$ 2,378,645</u>	<u>\$ 49,065</u>	<u>\$ 2,427,710</u>

	Proprietary Funds		
	Water	Sewer	Total
Salaries and employee benefits	\$ 52,702	\$ 31,158	\$ 83,860
Current health claims	12,091	5,761	17,852
Total accrued liabilities	<u>\$ 64,793</u>	<u>\$ 36,919</u>	<u>\$ 101,712</u>

7. PENSION OBLIGATIONS

Plan Descriptions and Benefits Provided

Police and Fire Retirement System (“PFRS”) and Employees’ Retirement System (“ERS”)—The Village/Town participates in the PFRS and ERS (the “Systems”). The Systems provide retirement benefits as well as death and disability benefits. The net position of the Systems are held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all assets and record changes in fiduciary net position allocated to the Systems. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the Systems. System benefits are established under the provisions of 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 (“GLIP”), which provides death benefits in the form of life insurance. The Systems are included in the State’s financial report as a pension trust fund. That report, including information with regards 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 Systems are noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At May 31, 2018, the Village/Town reported the following liabilities for its proportionate share of the net pension liability for each of the Systems. The net pension liabilities were measured as of March 31, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2017, with update procedures used to roll forward the total pension liabilities to the measurement dates. The Village/Town's proportion of the net pension liabilities were based on a projection of the Village/Town's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the Systems in reports provided to the Village/Town.

The Village/Town's Police Department ceased operations during the year ended May 31, 2016, when the Village/Town's police functions were transferred to the County of Westchester. Residual deferred outflows of resources and deferred inflows of resources are reported at May 31, 2018 under requirements of GASB Statement No. 68.

	PFRS	ERS	
		Governmental Activities	Business-type Activities
Measurement date	March 31, 2018	March 31, 2018	March 31, 2018
Net pension liability	\$ -	\$ 522,147	\$ 164,889
Village/Town's portion of the Plan's total net pension liability	0.0000000%	0.0161783%	0.0051090%

For the year ended May 31, 2018, the Village/Town recognized PFRS pension income of \$121,672. For the year ended May 31, 2018, the Village/Town recognized ERS pension expenses of \$609,477 and \$192,467 for governmental activities and business-type activities, respectively. At May 31, 2018, the Village/Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PFRS		ERS			
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Governmental Activities	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experiences	\$ -	\$ -	\$ 186,233	\$ 58,810	\$ 153,896	\$ 48,599
Changes of assumptions	-	-	346,227	109,335	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	758,377	239,487	1,496,961	472,725
Changes in proportion and differences between the Village/Town's contributions and proportionate share of contributions	142,590	774,066	56,213	17,752	91,023	28,744
Village/Town contributions subsequent to the measurement date	-	-	98,092	30,976	-	-
Total	<u>\$ 142,590</u>	<u>\$ 774,066</u>	<u>\$ 1,445,142</u>	<u>\$ 456,360</u>	<u>\$ 1,741,880</u>	<u>\$ 550,068</u>

Village/Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ending May 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown on the following page.

Year Ending May 31,	PFRS	ERS	
	Governmental Activities		Business-type Activities
2019	\$ (121,672)	\$ 90,005	\$ 28,422
2020	(121,672)	66,639	21,044
2021	(192,967)	(382,453)	(120,775)
2022	(139,385)	(169,021)	(53,375)
2023	(55,780)	-	-

Actuarial Assumptions—The total pension liabilities as of the measurement dates were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the following actuarial assumptions:

	PFRS	ERS
Measurement date	March 31, 2018	March 31, 2018
Actuarial valuation date	April 1, 2017	April 1, 2017
Interest rate	7.00%	7.00%
Salary scale	4.50%	3.80%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%
Cost-of-living adjustments	1.3%	1.3%

Annuitant mortality rates are based on 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, 2017 valuations are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term rate of return on pension plan investments was determined using a building block method in which the best estimate ranges of expected future real rates of return (expected returns net of investment expense 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 each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized on the following page.

	PFRS and ERS	
	Target Allocation	Long-Term Expected
		Real Rate of Return
Measurement date	March 31, 2018	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic portfolio	3.0	5.7
Real assets	3.0	5.3
Bonds and mortgages	17.0	1.3
Cash	1.0	0.0
Inflation-indexed bonds	4.0	1.3
Total	100.0 %	

Discount Rate—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. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the Village/Town's proportionate share of the net pension liability/(asset) 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 one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Governmental activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 3,950,706	\$ 522,147	\$ (2,378,277)
Business-type activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 1,247,592	\$ 164,889	\$ (751,035)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the respective valuation dates, were as follows:

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2017	April 1, 2017	
Employers' total pension liability	\$ 32,914,423	\$ 183,400,590	\$ 216,315,013
Plan fiduciary net position	<u>31,903,666</u>	<u>180,173,145</u>	<u>212,076,811</u>
Employers' net pension liability	<u>\$ 1,010,757</u>	<u>\$ 3,227,445</u>	<u>\$ 4,238,202</u>
System fiduciary net position as a percentage of total pension liability	96.9%	98.2%	98.0%

Payables to the Pension Plan—For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of May 31, 2018 represent the projected employer contribution for the period of April 1, 2018 through May 31, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions for ERS as of May 31, 2018 amounted to \$98,092.

8. PENSION OBLIGATIONS—LOSAP

Fire Service Award Program

Program Description

The Village/Town established a defined benefit LOSAP for the active volunteer firefighters of the Village/Town of Mount Kisco Volunteer Fire Department. The program took effect on January 1, 2003. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally-funded pension like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Village/Town is the sponsor of the program.

Certain information contained in this note is based on information for the LOSAP as of December 31, 2017, which is the most recent valuation date for which complete information related to the fiscal year ended May 31, 2018 is available.

Active volunteer firefighters in the Village/Town of Mount Kisco Volunteer Fire Department who have reached the age of seventeen and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service, upon attaining the program's entitlement age, becoming totally and permanently disabled or dying while an active member. The program's entitlement age is later of age 60 or age after first earning one year of service credit. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the program.

Service credit is determined by the Board of the sponsor, based on information certified to the Board of the fire company having members who participate in the program. The fire company must maintain all required records on forms prescribed by the governing board.

The governing board the sponsor has retained and designated Buck Global, LLC to assist in the administration of the program. The designated program administrator's functions include general administration in questions of eligibility, as well as, to compute, certify, and direct the Trustee with respect to entitlement and payment of benefits. Disbursements of program assets for the payment of benefits or administrative expenses must be approved by Buck Global, LLC who calculates and certifies monthly and other lump sum amounts to be paid.

Program assets are required to be held in trust by LOSAP legislation, 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. The current trustee is Buck Global, LLC.

Authority to invest program assets is vested in the Village/Town's Board, subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" standard and the Investment Policy Statement for the LOSAP as approved by the Board.

The sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the plan. The actuary retained by the sponsor for this purpose is Buck Global, LLC. Portions of the following information are derived from the most recent report prepared by the actuary with a valuation date of December 31, 2017.

Benefits Provided—A participant's benefit under the program is the actuarial equivalent of a monthly payment for life equal to \$20 multiplied by the person's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed twenty. Benefits are not payable until the first day of the month if the participant attained the entitlement age on that date or the first date of the next month, except in the case of disability or death. In the case of total and permanent disability before attaining entitlement age in the line-of-duty the payment commences immediately, with monthly payments guaranteed for ten years using service to entitlement age. In the case of total and permanent disability before attaining entitlement age not in the line-of-duty the payment commences immediately, with monthly payments guaranteed for ten years using accrued service only. In the case of death before attaining entitlement age active members would receive the greater of the present value of accrued benefit; inactive members would receive the present value of accrued benefits, which are payable as soon as administratively possible. In the case of death after attaining eligibility, the beneficiary would receive a lump sum payment equal to the present value of the remaining certain period monthly payments, if any.

Participants Covered by the Benefit Terms—At the December 31, 2017 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefits	3
Active participants at or above age 60	51
Active participants below age 60	110
Terminated vested participants	<u>2</u>
Total	<u>166</u>

Contributions—New York State General Municipal Law §219(d) requires the Village Board to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village/Town.

Trust Assets—Although assets have been accumulated in an irrevocable trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Village/Town. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73.

Measurement of Total Pension Liability

The total pension liability as of May 31, 2018 was determined by an actuarial valuation as of December 31, 2017.

Actuarial Assumptions—The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	None assumed

Mortality rates were based on the RP-2014 Healthy Annuitant Total using MP-2014 improvement scale on a fully generational basis.

Discount Rate—The discount rate used to measure the total pension liability was 3.16%. This was the S&P Municipal Bond 20 Year High Grade Rate Index yield to maturity as of December 31, 2017.

Changes in the Total Pension Liability—The following table presents the changes to the total pension liability during the fiscal year, by source:

	Total Pension Liability
Balance as of 12/31/2016 measurement date (fiscal year 5/31/2017)	\$ 2,442,956
Changes for the year:	
Service cost	237,539
Interest	96,005
Changes of assumptions or other inputs	90,464
Differences between expected and actual experience	(43,128)
Contributions—employer	-
Benefit payments	(187,240)
Net changes	193,640
Balance as of 12/31/2017 measurement date (fiscal year 5/31/2018)	\$ 2,636,596

Sensitivity of the Total Pension Liability to Changes in the Discount Rate—The following table presents the total pension liability of the Village/Town as of the December 31, 2017 measurement date, calculated using the discount rate of 3.16 percent, as well as what the Village/Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.16 percent) or one percentage point higher (4.16 percent) than the current rate.

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 2,811,392	\$ 2,636,596	\$ 2,474,846

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension—For the year ended May 31, 2018, the Village/Town recognized pension expense of \$380,351. The following table presents the components of pension expense for the year ended May 31, 2018:

Service cost	\$ 237,539
Interest and total pension liability	96,005
Changes of assumptions or other inputs	3,933
Differences between expected and actual experience	(1,875)
Pension plan administrative expenses	44,749
Total pension expense	<u>\$ 380,351</u>

At May 31, 2018, the Village/Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 86,531	\$ -
Changes of assumptions or other inputs	-	41,252
Total	<u>\$ 86,531</u>	<u>\$ 41,252</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending May 31,	Pension Expense
2019	\$ 2,058
2020	2,058
2021	2,058
2022	2,058
2023	2,058
Thereafter	34,988

The Village/Town accounts for service award program assets within its Pension Trust Fund. As of May 31, 2018, the Fire Service Award program investments totaled \$3,391,034.

Ambulance Service Award Program

Program Description

The Village/Town established a defined benefit LOSAP for the active volunteer ambulance first responders of the Village/Town of Mount Kisco Volunteer Ambulance Corps, Inc. The program took effect on January 1, 2005. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally-funded pension like benefits to facilitate the recruitment and retention of active volunteer ambulance first responders. The Village/Town is the sponsor of the program.

Certain information contained in this note is based on information for the LOSAP as of December 31, 2017, which is the most recent valuation date for which complete information related to the fiscal year ended May 31, 2018 is available.

Active volunteer members of the Carmel Ambulance District No. 1 who have reached the age of eighteen and who have completed one year of service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of service, upon attaining the program's entitlement age, becoming totally and permanently disabled or dying while an active member. The program's entitlement age is age sixty-five. In general, an active volunteer ambulance first responder is credited with a year of service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of service rendered prior to the establishment of the program.

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board of the ambulance district having members who participate in the program. The ambulance district must maintain all required records on forms prescribed by the governing board.

The governing board of the sponsor has retained and designated Penflex, Inc. to assist in the administration of the program. The designated program administrator's functions include general administration in questions of eligibility, as well as, to compute, certify, and direct the Trustee with respect to entitlement and payment of benefits. Disbursements of program assets for the payment of benefits or administrative expenses must be approved by Penflex, Inc. who calculates and certifies monthly and other lump sum amounts to be paid.

Program assets are required to be held in trust by LOSAP legislation, 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 program assets is vested in the Village/Town's Board, subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" standard and the Investment Policy Statement for the LOSAP as approved by the Board.

The sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the plan. The actuary retained by the sponsor for this purpose is Penflex, Inc. Portions of the following information are derived from the most recent report prepared by the actuary with a valuation date of December 31, 2017.

Benefits Provided—A participant’s benefit under the program is the actuarial equivalent of a monthly payment for life equal to \$20 multiplied by the person’s total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed twenty. Benefits are not payable until the first day of the month if the participant attained the entitlement age on that date or the first date of the next month, except in the case of disability or death. In the case of total and permanent disability before attaining entitlement age in the line-of-duty the payment commences immediately, with monthly payments guaranteed for ten years using service to entitlement age. In the case of total and permanent disability before attaining entitlement age not in the line-of-duty the payment commences immediately, with monthly payments guaranteed for ten years using accrued service only. In the case of death before attaining entitlement age active members would receive the greater of the present value of accrued benefit; inactive members would receive the present value of accrued benefits, which are payable as soon as administratively possible. In the case of death after attaining eligibility, the beneficiary would receive a lump sum payment equal to the present value of the remaining certain period monthly payments, if any.

Participants Covered by the Benefit Terms—At the December 31, 2017 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	4
Inactive participants entitled to but not yet receiving benefit payments	3
Active participants	<u>27</u>
Total	<u><u>34</u></u>

Contributions—New York State General Municipal Law §219(d) requires the Village Board to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village/Town.

Trust Assets—Although assets have been accumulated in an irrevocable trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Village/Town. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73.

Measurement of Total Pension Liability

The total pension liability as of May 31, 2018 was determined using an actuarial valuation as of December 31, 2017.

Actuarial Assumptions—The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	None assumed

Mortality rates were based on the RP-2014 Mortality Table (60/40 male/female blend) projected for mortality improvement to the year 2020 with scale MP2017.

Discount Rate—The discount rate used to measure the total pension liability was 3.16%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

Changes in the Total Pension Liability—The following table presents the changes to the total pension liability during the fiscal year, by source:

	Total Pension Liability
Balance as of 12/31/2016 measurement date (fiscal year 5/31/2017)	<u>\$ 400,759</u>
Changes for the year:	
Service cost	28,310
Interest	15,734
Changes of assumptions or other inputs	39,667
Differences between expected and actual experience	(2,891)
Contributions—employer	-
Benefit payments	<u>(9,945)</u>
Net changes	<u>70,875</u>
Balance as of 12/31/2017 measurement date (fiscal year 5/31/2018)	<u>\$ 471,634</u>

Sensitivity of the Total Pension Liability to Changes in the Discount Rate—The following table presents the total pension liability of the Village/Town as of the December 31, 2017 measurement date, calculated using the discount rate of 3.16 percent, as well as what the Village/Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.16 percent) or one percentage point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 564,549	\$ 471,634	\$ 398,168

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension—For the year ended May 31, 2018, the Village/Town recognized pension expense of \$49,719. The following table presents the components of pension expense for the year ended May 31, 2018:

Service cost	\$ 28,310
Interest	15,734
Changes of assumptions or other inputs	2,793
Differences between expected and actual experience	(203)
Pension Plan administrative expenses	<u>3,085</u>
Total pension expense	<u>\$ 49,719</u>

At May 31, 2018, the Village/Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,688
Changes of assumptions or other inputs	36,874	-
Benefit payments and administrative expenses subsequent to the measurement date	4,144	-
Total	<u>\$ 41,018</u>	<u>\$ 2,688</u>

Deferred outflows of resources related to pensions resulting from Village/Town transactions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ending May 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending May 31,	Pension Expense
2019	\$ 2,590
2020	2,590
2021	2,590
2022	2,590
2023	2,590
Thereafter	21,236

The Village/Town accounts for service award program assets within its Pension Trust Fund. As of May 31, 2018, the Ambulance Service Award program investments totaled \$392,473.

9. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—In addition to providing pension benefits, the Village/Town provides health insurance coverage and/or payment for fractional values of unused sick leave to eligible 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. The cost of providing post-employment benefits is shared between the Village/Town and the retired employee. Substantially all of the Village/Town’s employees may become eligible for these 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/payable as claims are paid. There were approximately 126 retirees receiving health care benefits at May 31, 2018.

Funding Policy—The employer’s funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants (i.e., pay-as-you-go). Current New York State law prohibits municipalities from pre-funding retiree medical benefit obligations in a Trust.

The Village/Town's annual OPEB cost is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB. 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 30 years.

The tables below show the components of the Village/Town's annual OPEB cost for the past three years, the amount actually contributed to the plan, and changes in the Village/Town's net OPEB obligation.

	Year Ended May 31, 2018		
	Governmental Activities	Business-type Activities	Total
Annual required contribution ("ARC")	\$ 2,109,598	\$ 97,985	\$ 2,207,583
Interest on net OPEB obligation	595,630	17,758	613,388
Adjustment to ARC	(861,134)	(25,673)	(886,807)
Annual OPEB cost (expense)	1,844,094	90,070	1,934,164
Contributions made	(1,047,171)	(72,598)	(1,119,769)
Increase in net OPEB obligation	796,923	17,472	814,395
Net OPEB obligation—beginning of year	14,890,761	443,938	15,334,699
Net OPEB obligation—end of year	<u>\$ 15,687,684</u>	<u>\$ 461,410</u>	<u>\$ 16,149,094</u>

	Year Ended May 31, 2017		
	Governmental Activities	Business-type Activities	Total
Annual required contribution ("ARC")	\$ 2,299,515	\$ 130,890	\$ 2,430,405
Interest on net OPEB obligation	552,943	16,008	568,951
Adjustment to ARC	(799,418)	(23,144)	(822,562)
Annual OPEB cost (expense)	2,053,040	123,754	2,176,794
Contributions made	(985,844)	(80,026)	(1,065,870)
Increase in net OPEB obligation	1,067,196	43,728	1,110,924
Net OPEB obligation—beginning of year	13,823,565	400,210	14,223,775
Net OPEB obligation—end of year	<u>\$ 14,890,761</u>	<u>\$ 443,938</u>	<u>\$ 15,334,699</u>

	Year Ended May 31, 2016		
	Governmental Activities	Business-type Activities	Total
Annual required contribution ("ARC")	\$ 2,217,429	\$ 125,711	\$ 2,343,140
Interest on net OPEB obligation	510,499	14,577	525,076
Adjustment to ARC	(738,056)	(21,075)	(759,131)
Annual OPEB cost (expense)	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	<u>\$ 13,823,565</u>	<u>\$ 400,210</u>	<u>\$ 14,223,775</u>

Funding Status and Funding Progress—As of June 1, 2017, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits was \$25,956,706 and \$1,075,942 for governmental activities and business-type activities, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Village/Town's schedule of contributions for the most recent three years is shown below:

Total Primary Government				
Year Ended	Annual OPEB	Contributions	Percentage	Net OPEB
May 31,	Cost	Made	Contributed	Obligation
2018	\$ 1,934,164	\$ 1,119,769	57.9%	\$ 16,149,094
2017	2,176,794	1,065,870	49.0%	15,334,699
2016	2,109,085	1,012,225	48.0%	14,223,775

Governmental Activities				
Year Ended	Annual OPEB	Contributions	Percentage	Net OPEB
May 31,	Cost	Made	Contributed	Obligation
2018	\$ 1,844,094	\$ 1,047,171	56.8%	\$ 15,687,684
2017	2,053,040	985,844	48.0%	14,890,761
2016	1,989,872	928,789	46.7%	13,823,565

Business-type Activities				
Year Ended	Annual OPEB	Contributions	Percentage	Net OPEB
May 31,	Cost	Made	Contributed	Obligation
2018	\$ 90,070	\$ 72,598	80.6%	\$ 461,410
2017	123,754	80,026	64.7%	443,938
2016	119,213	83,436	70.0%	400,210

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the June 1, 2017 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a valuation date of June 1, 2017 and measurement date of May 31, 2018. The expected investment rate of return on employer's assets is 4.0%. The rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. Since the Village/Town does not currently segregate funding for these benefits, the appropriate rate is the expected return on the employer's assets. RP-2014 Mortality Tables were used for mortality rates. The rates of decrement due to retirement is based on the most recent decrement tables from the New York State ERS. The assumed rates of increase in health care vary from 6.0% to 10.5%. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis.

10. COMMITMENTS

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 four 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. The purpose of the pool is to stabilize the cost of medical benefits provided to employees. Each member of MEBCO retains its own risk for individual claims up to \$75,000. Premium equivalents are set for each municipality based upon their individual claim loss experience for all claims under \$75,000. For individual claims above \$75,000, the risk is insured by MEBCO's participation in a captive insurance company, which currently is Tokio Marine. It underwrites risk for individual claims above \$75,000. MEBCO has entered into a participation agreement with Tokio Marine to be part of a segregated account within this captive insurance company ("MEBCO Segregated Cell"). Claims in this second tier are funded by amounts paid by each member to the captive for premium contributions and stop loss coverage that the captive secures on MEBCO's behalf.

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 comprised 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.

11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund and proprietary funds. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the life of permanent financing, provided that annual reductions of principal are made. The following is a summary of the Village/Town’s short-term debt for the year ended May 31, 2018:

Description	Maturity Date	Interest Rate	Balance 6/1/2017	Additions	Reductions	Balance 5/31/2018
Governmental Activities:						
Capital Projects Fund:						
Highway Garage	12/7/2018	1.21%	\$ -	\$ 2,695,000	\$ -	\$ 2,695,000
Business-type Activities:						
Sewer Fund:						
Sewer Relining Village-wide	3/16/2018	1.39%	1,260,000	-	1,260,000	-
Sewer Relining Village-wide	3/15/2019	1.19%	-	1,200,000	-	1,200,000
Total			<u>\$ 1,260,000</u>	<u>\$ 3,895,000</u>	<u>\$ 1,260,000</u>	<u>\$ 3,895,000</u>

12. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

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

The Village/Town’s outstanding long-term liabilities include bonds payable, capital lease, compensated absences, landfill post-closure costs, net pension liabilities, and the other postemployment benefits (“OPEB”) obligation. The bonds payable of the Village/Town are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the Village/Town's long-term liabilities at May 31, 2018 is presented below:

	Balance 6/1/2017 (as restated)	Additions	Reductions	Balance 5/31/2018	Due Within One Year
Governmental activities:					
Serial bonds	\$ 6,146,331	\$ -	\$ 623,480	\$ 5,522,851	\$ 544,250
Premiums on serial bonds	<u>528,255</u>	<u>-</u>	<u>53,183</u>	<u>475,072</u>	<u>53,183</u>
Bonds payable, net	6,674,586	-	676,663	5,997,923	597,433
Capital lease	-	19,500	1,625	17,875	3,900
Compensated absences	784,074	714,753	726,240	772,587	77,259
Landfill post-closure costs	146,178	-	10,300	135,878	10,609
Net pension liability*	2,237,668	-	1,715,521	522,147	-
Net pension liability—LOSAP*	2,843,715	264,515	-	3,108,230	-
OPEB obligation	<u>14,890,761</u>	<u>1,844,094</u>	<u>1,047,171</u>	<u>15,687,684</u>	<u>-</u>
Total governmental activities	<u>\$ 27,576,982</u>	<u>\$ 2,842,862</u>	<u>\$ 4,177,520</u>	<u>\$ 26,242,324</u>	<u>\$ 689,201</u>
Business-type activities:					
Serial bonds	\$ 8,658,669	\$ -	\$ 1,336,520	\$ 7,322,149	\$ 1,395,750
Premiums on serial bonds	<u>359,009</u>	<u>-</u>	<u>44,876</u>	<u>314,133</u>	<u>44,876</u>
Bonds payable, net	9,017,678	-	1,381,396	7,636,282	1,440,626
Compensated absences	306,530	256,535	283,850	279,215	27,922
Net pension liability*	442,145	-	277,256	164,889	-
OPEB obligation	<u>443,938</u>	<u>90,070</u>	<u>72,598</u>	<u>461,410</u>	<u>-</u>
Total business-type activities	<u>\$ 10,210,291</u>	<u>\$ 346,605</u>	<u>\$ 2,015,100</u>	<u>\$ 8,541,796</u>	<u>\$ 1,468,548</u>

(*reductions to the net pension liability are shown net of additions; additions to the net pension liability LOSAP are shown net of reductions)

Serial Bonds—The Village/Town issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village/Town. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 7 to 15 years.

Principal is paid annually, interest is paid semi-annually; these payments are recorded in the Debt Service Fund for governmental activities and the associated fund, either being Water Fund or Sewer Fund, for the business-type activities. A summary of additions and payments for the year ended May 31, 2018 is shown on the following page.

Description	Original Issue	Year of Issue/ Maturity	Interest Rate (%)	Balance 6/1/2017	Additions	Reductions	Balance 5/31/2018
Governmental activities:							
Refunding EFC	\$ 820,000	2010 / 2018	2.94-3.13	\$ 110,000	\$ -	\$ 110,000	\$ -
Public Improvement	745,000	2011 / 2023	3.00-4.00	405,000	-	60,000	345,000
Serial Bonds	717,000	2012 / 2027	2.00-4.00	505,000	-	45,000	460,000
Refunding	144,426	2016 / 2024	2.25-5.00	131,331	-	13,480	117,851
Refunding	5,075,000	2016 / 2026	2.25-5.00	4,995,000	-	395,000	4,600,000
Total governmental activities				<u>\$ 6,146,331</u>	<u>\$ -</u>	<u>\$ 623,480</u>	<u>\$ 5,522,851</u>
Business-type activities:							
Refunding EFC - Water	\$ 10,785,000	2011 / 2022	2.62-3.99	\$ 5,530,000	\$ -	\$ 1,010,000	\$ 4,520,000
Refunding	3,625,574	2016 / 2024	2.25-5.00	3,128,669	-	326,520	2,802,149
Total business-type activities				<u>\$ 8,658,669</u>	<u>\$ -</u>	<u>\$ 1,336,520</u>	<u>\$ 7,322,149</u>

Premiums on Serial Bonds—Previously, the Village/Town issued serial bonds and refunding serial bonds which received bond premiums. The premiums are being amortized on a straight-line basis over the life of the bonds. Total unamortized bond premiums at May 31, 2018 are \$475,072 and \$314,133 for governmental and business-type activities, respectively.

Capital Lease—During the year ended May 31, 2018, the Village/Town entered into a long-term capital lease for a postage machine. The outstanding balance at May 31, 2018 was \$17,875. The recorded cost of the postage machine is \$19,500, and accumulated depreciation totals \$3,900 at May 31, 2018, resulting in a net book value of \$15,600 at May 31, 2018.

Compensated Absences—As explained in Note 1, the Village/Town records the value of compensated absences in the government-wide and proprietary fund financial statements. The annual budgets of the operating funds provide for these benefits as they become due. The liability for compensated absences at May 31, 2018 for governmental and business-type activities amounts to \$772,587 and \$279,215, respectively.

Landfill Post-Closure Costs—The results of the Village/Town's evaluation of its landfill post-closure costs concluded with an estimate of \$135,878 being recorded within liabilities of the governmental activities on the government-wide financial statements.

Net Pension Liabilities—The Village/Town reported a liability for governmental and business-type activities, totaling \$522,147 and \$164,889, respectively, for its proportionate share of the net pension liability for the New York Employees' Retirement System. The Village/Town also reported the net pension liability related to its fire and ambulance LOSAP, which totals \$3,108,230 at May 31, 2018. Refer to Notes 7 and 8 for additional information related to the Village/Town's net pension liabilities.

OPEB Obligation—As explained in Note 9, the Village/Town provides health insurance coverage for certain retirees. The Village/Town's annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The long-term OPEB liability for governmental and business-type activities is estimated to be \$15,687,684 and \$461,410, respectively, as of May 31, 2018.

A maturity schedule of the Village/Town's indebtedness is presented as follows:

Governmental Activities									
Year									
Ending	Serial	Premiums on	Capital	Compensated	Landfill	Net Pension	Net Pension	OPEB	
May 31,	Bonds	Serial Bonds	Lease	Absences	Post-Closure	Liability	Liability—	Obligation	Total
							LOSAP		
2019	\$ 544,250	\$ 53,183	\$ 3,900	\$ 77,259	\$ 10,609	\$ -	\$ -	\$ -	\$ 689,201
2020	565,020	53,183	3,900	-	10,927	-	-	-	633,030
2021	600,791	53,183	3,900	-	11,255	-	-	-	669,129
2022	626,946	53,183	3,900	-	11,593	-	-	-	695,622
2023	647,716	53,183	2,275	-	11,941	-	-	-	715,115
2024-thereafter	2,538,128	209,157	-	695,328	79,553	522,147	3,108,230	15,687,684	22,840,227
Total	<u>\$ 5,522,851</u>	<u>\$ 475,072</u>	<u>\$ 17,875</u>	<u>\$ 772,587</u>	<u>\$ 135,878</u>	<u>\$ 522,147</u>	<u>\$ 3,108,230</u>	<u>\$ 15,687,684</u>	<u>\$ 26,242,324</u>

Business-type Activities							
Year							
Ending	Serial	Premiums on	Compensated	Net Pension	OPEB		
May 31,	Bonds	Serial Bonds	Absences	Liability	Obligation	Total	
2019	\$ 1,395,750	\$ 44,876	\$ 27,922	\$ -	\$ -	\$ 1,468,548	
2020	1,464,980	44,876	-	-	-	1,509,856	
2021	1,534,209	44,876	-	-	-	1,579,085	
2022	1,608,054	44,876	-	-	-	1,652,930	
2023	417,284	44,876	-	-	-	462,160	
2024-thereafter	901,872	89,753	251,293	164,889	461,410	1,869,217	
Total	<u>\$ 7,322,149</u>	<u>\$ 314,133</u>	<u>\$ 279,215</u>	<u>\$ 164,889</u>	<u>\$ 461,410</u>	<u>\$ 8,541,796</u>	

Interest requirements on serial bonds payable are as follows:

Year Ending	Governmental	Business-type	
May 31,	Activities	Activities	Total
2019	\$ 204,734	\$ 267,688	\$ 472,422
2020	179,245	213,128	392,373
2021	152,219	152,892	305,111
2022	123,475	87,271	210,746
2023	93,334	42,728	136,062
2024-2027	137,987	26,620	164,607
Total	<u>\$ 890,994</u>	<u>\$ 790,327</u>	<u>\$ 1,681,321</u>

13. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the Village/Town's governmental and business-type activities net investment in capital assets is presented below:

	Governmental Activities		
Capital assets, net of accumulated depreciation	\$	38,723,449	
Less related debt:			
Serial bonds		(5,522,851)	
Unamortized bond premiums		(475,072)	
Deferred charge on refunding		236,639	
Bond anticipation notes		(2,695,000)	
Capital lease		(17,875)	
Unspent debt proceeds		2,179,941	
Net investment in capital assets	\$	32,429,231	

	Business-type Activities		
	Water Fund	Sewer Fund	Total
Capital assets, net of accumulated depreciation	\$ 22,286,064	\$ 4,435,921	\$ 26,721,985
Less related debt:			
Serial bonds	(7,322,149)	-	(7,322,149)
Unamortized bond premiums	(314,133)	-	(314,133)
Deferred charge on refunding	156,472	-	156,472
Bond anticipation notes	-	(1,200,000)	(1,200,000)
Unspent debt proceeds	-	533,272	533,272
Net investment in capital assets	\$ 14,806,254	\$ 3,769,193	\$ 18,575,447

- **Restricted Net Position**—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At May 31, 2018, the Village/Town reported \$1,447,106 of restricted net position in governmental activities for unemployment insurance, open space, special purposes, capital improvements and debt service. At May 31, 2018, the Village/Town business-type activities reported \$797,278 and \$283,206 of restricted net position in the Water Fund and Sewer Fund, respectively.
- **Unrestricted Net Position**—This category represents net position of the Village/Town not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the Village/Town at May 31, 2018 is shown below:

- ***Prepaid Items***—Representing the portion of fund balance, \$29,043 and \$650, composed of prepaid items for the General Fund and Public Library Fund, respectively. This balance is nonspendable as the balance does not represent an available resource.
- ***Real Estate Acquired for Resale***—Representing the portion of fund balance, \$1,794,149, composed of real estate acquired for future resale. This balance is nonspendable within the General Fund as the asset does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. Restricted fund balance maintained by the Village/Town at May 31, 2018 is presented in the following table:

	Governmental Funds			Total
	General Fund	Debt Service	Nonmajor Funds	
Unemployment benefits	\$ 29,157	\$ -	\$ 4,423	\$ 33,580
Capital projects	56	-	-	56
Open space	961,218	-	-	961,218
Special purposes	-	-	40,477	40,477
Debt service	128,021	283,754	-	411,775
Total	<u>\$ 1,118,452</u>	<u>\$ 283,754</u>	<u>\$ 44,900</u>	<u>\$ 1,447,106</u>

- ***Restricted for Unemployment Benefits***—According to General Municipal Law Section 6-p, the restriction must be used to pay for any accrued employee benefit due to an employee upon termination of the employee's service.
- ***Restricted for Capital Projects***—The component of fund balance that reports the amounts restricted for capital projects, exclusive of unexpended bond proceeds and unrestricted interest earnings. Additionally, according to General Municipal Law Section 6-c, the restriction represents resources legally restricted for the financial resources to be used for acquisition, construction or renovation of major capital facilities or equipment.
- ***Restricted for Open Space***—According to General Municipal Law Section 6-c, the restriction may be used to finance all, or part of, the construction or acquisition of a specific type of improvement subject to the approval of voters.
- ***Restricted for Special Purposes***—This component of restricted fund balance reports the differences between assets and liabilities with constraints placed on their use by either external parties and/or statutes.

- ***Restricted for Debt Service***—According to General Municipal Law Section 6-h, the mandatory reserve for debt service must be established for the purpose of retiring the outstanding obligations upon the sale of Village/Town property or capital improvement that was financed by obligations that remain outstanding at the time of sale.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Village/Town's highest level of decision-making authority. At May 31, 2018, the Village/Town reported the following committed fund balance:

- ***Committed for Tax Stabilization***—Represents funds, \$286,748, committed to tax stabilization.
- ***Committed for Capital Projects***—Represents funds, \$1,936,355, committed to Village/Town capital projects.

In the fund financial statements, assignments are not legally required segregations, but are segregated for a specific purpose by the Village/Town at May 31, 2018 and include the following:

- ***Assigned to Subsequent Year's Expenditures***—Representing available fund balance being appropriated to meet expenditure requirements in the 2018-2019 fiscal year. As of May 31, 2018, the General Fund recorded \$714,502 of assigned fund balance related to subsequent year's expenditures.
- ***Assigned to Encumbrances***—Represents amounts related to unperformed (executory) contracts for goods and services. As of May 31, 2018, the General Fund recorded \$2,189 of assigned fund balance related to encumbrances.
- ***Assigned to Specific Use***—Represents funds, \$295,060, related to the Public Library Fund. The assignment's purpose relates to the fund's operations and represents the remaining amounts within the fund that are not restricted or committed.

If the Village/Town must use funds for emergency expenditures, the Boards shall authorize the Treasurer to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the Village/Town will use unassigned fund balance.

14. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of May 31, 2018 is as follows:

	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 69	\$ -
Public Library Fund	-	24
Total governmental funds	69	24
Enterprise funds:		
Water Fund	-	9
Sewer Fund	-	2
Total enterprise funds	-	11
Fiduciary funds:		
Agency Fund	-	34
Total	\$ 69	\$ 69

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The Village/Town made the following transfers during the year ended May 31, 2018:

Transfers In:	Transfers Out:			Total
	Governmental Funds			
	General Fund	Debt Service	Nonmajor Funds	
Governmental Funds:				
Capital projects	\$ 2,349,686	\$ -	\$ -	\$ 2,349,686
Debt Service Fund	186,983	19,994	648,838	855,815
Nonmajor Funds	1,822,994	-	-	1,822,994
Total	\$ 4,359,663	\$ 19,994	\$ 648,838	\$ 5,028,495

Transfers are used primarily to move amounts to fulfill commitments, to finance various capital projects, or to pay down on outstanding debt.

15. AGENCY FUND

The Agency Fund exists for temporary deposit funds. The following is a summary of changes in assets and liabilities for the fiscal year ended May 31, 2018:

	Balance 6/1/2017	Increases	Decreases	Balance 5/31/2018
ASSETS				
Restricted cash and cash equivalents	\$ 283,128	\$ 9,806,353	\$ 9,751,924	\$ 337,557
Receivables	11,655	14,481	11,652	14,484
Due from other funds	2,984	6,851,668	6,854,652	-
Total assets	<u>\$ 297,767</u>	<u>\$ 16,672,502</u>	<u>\$ 16,618,228</u>	<u>\$ 352,041</u>
LIABILITIES				
Accounts payable	\$ 21,360	\$ 2,735,065	\$ 2,718,811	\$ 37,614
Due to other funds	-	2,435	2,401	34
Other agency liabilities	276,407	231,956	193,970	314,393
Total liabilities	<u>\$ 297,767</u>	<u>\$ 2,969,456</u>	<u>\$ 2,915,182</u>	<u>\$ 352,041</u>

16. LABOR CONTRACTS

Village/Town employees are represented by three bargaining units and Boards rules and regulations. Settled contracts are in place through May 31, 2018 for the Administrative Group and United Federation of Police Officers and through May 31, 2021 for the International Brotherhood of Teamsters.

17. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The Village/Town considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. As of May 31, 2018, the Village/Town reported no significant encumbrances.

18. TAX ABATEMENTS

The Village/Town is subject to tax abatements granted to the Northern Westchester Hospital (the “Hospital”) and the Mount Kisco Housing Authority (the “Authority”) which stipulate a reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by the Village/Town with the Hospital and Authority, the Village/Town collected \$159,914 during the 2017-2018 fiscal year in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$159,914 of property taxes.

19. CONTINGENCIES

Litigation—Various legal actions are pending against the Village/Town. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the Village/Town.

Grants—In the normal course of business, the Village/Town receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental and proprietary funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

20. SUBSEQUENT EVENTS

On December 20, 2018, the Village/Town issued \$10,500,000 in bond anticipation notes for the reconstruction and replacement of water lines. Furthermore, the Village/Town issued \$12,500,300 in serial bonds; \$2,515,300 was for improvements to the Public Works garage, and \$9,985,000 was for the reconstruction and improvements of Village firehouses.

Management has evaluated subsequent events through April 1, 2019, which is the date the financial statements are available for issuance, and have determined, except as disclosed above regarding the debt issuances, there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

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VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability—Police and Fire Retirement System
Last Four Fiscal Years*

	Year Ended May 31,			
	2018	2017	2016	2015
<i>Governmental Activities:</i>				
Measurement date	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Village/Town's proportion of the net pension liability	0.0000000%	0.0404092%	0.0770099%	0.0199067%
Village/Town's proportionate share of the net pension liability	<u>\$ -</u>	<u>\$ 837,542</u>	<u>\$ 2,280,099</u>	<u>\$ 282,968</u>
Village/Town's covered payroll**	\$ -	\$ -	\$ 1,823,933	\$ 2,968,095
Village/Town's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	125.0%	9.5%
Plan fiduciary net position as a percentage of the total pension liability	93.5%	90.2%	99.0%	98.5%

* Information prior to the year ended May 31, 2015 is not available.

** The Village/Town's Police Department ceased operations during the year ended May 31, 2016, when the Village/Town's police functions were transferred to the County of Westchester. Subsequent to the valuation date but prior to year end, the net pension liability was liquidated. As a result, covered payroll was \$0 at May 31, 2017.

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Schedule of the Local Government's Contributions—
Police and Fire Retirement System
Last Four Fiscal Years*

	Year Ended May 31,			
	2018	2017	2016	2015
<i>Governmental Activities:</i>				
Contractually required contribution	\$ -	\$ -	\$ 327,472	\$ 1,358,054
Contributions in relation to the contractually required contribution	-	-	(327,472)	(1,358,054)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Village/Town's covered payroll**	\$ -	\$ -	\$ 1,309,340	\$ 2,946,372
Contributions as a percentage of covered payroll	N/A	N/A	25.0%	46.1%

* Information prior to the year ended May 31, 2015 is not available.

** The Village/Town's Police Department ceased operations during the year ended May 31, 2016, when the Village/Town's police functions were transferred to the County of Westchester.

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Four Fiscal Years*

	Year Ended May 31,			
	2018	2017	2016	2015
Measurement date	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Plan fiduciary net position as a percentage of the total pension liability	98.2%	94.7%	90.7%	97.9%
<i>Governmental Activities:</i>				
Village/Town's proportion of the net pension liability	0.0161783%	0.0149009%	0.0149704%	0.0151291%
Village/Town's proportionate share of the net pension liability	<u>\$ 522,147</u>	<u>\$ 1,400,126</u>	<u>\$ 2,402,791</u>	<u>\$ 511,097</u>
Village/Town's covered payroll	\$ 3,984,391	\$ 4,085,902	\$ 3,636,158	\$ 3,627,311
Village/Town's proportionate share of the net pension liability as a percentage of its covered payroll	13.1%	34.3%	66.1%	14.1%
<i>Business-type Activities:</i>				
Village/Town's proportion of the net pension liability	0.0051090%	0.0047056%	0.0047275%	0.0047776%
Village/Town's proportionate share of the net pension liability	<u>\$ 164,889</u>	<u>\$ 442,145</u>	<u>\$ 758,776</u>	<u>\$ 161,399</u>
Village/Town's covered payroll	\$ 1,258,229	\$ 1,290,285	\$ 1,148,261	\$ 1,145,467
Village/Town's proportionate share of the net pension liability as a percentage of its covered payroll	13.1%	34.3%	66.1%	14.1%

*Information prior to the year ended May 31, 2015 is not available.

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Schedule of the Local Government's Contributions—
Employees' Retirement System
Last Four Fiscal Years*

	Year Ended May 31,			
	2018	2017	2016	2015
<i>Governmental Activities:</i>				
Contractually required contribution	\$ 599,854	\$ 554,323	\$ 576,741	\$ 694,306
Contributions in relation to the contractually required contribution	<u>(599,854)</u>	<u>(554,323)</u>	<u>(576,741)</u>	<u>(694,306)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village/Town's covered payroll	\$ 4,013,164	\$ 3,944,823	\$ 3,670,097	\$ 3,606,183
Contributions as a percentage of covered payroll	14.9%	14.1%	15.7%	19.3%
<i>Business-type Activities:</i>				
Contractually required contribution	\$ 189,427	\$ 175,050	\$ 182,129	\$ 219,255
Contributions in relation to the contractually required contribution	<u>(189,427)</u>	<u>(175,050)</u>	<u>(182,129)</u>	<u>(219,255)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village/Town's covered payroll	\$ 1,267,315	\$ 1,245,733	\$ 1,158,978	\$ 1,138,794
Contributions as a percentage of covered payroll	14.9%	14.1%	15.7%	19.3%

*Information prior to the year ended May 31, 2015 is not available.

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Schedule of Changes in the Village/Town's Total Pension Liability—LOSAP
Year Ended May 31, 2018*

Total Pension Liability	Fire	Ambulance
Service cost	\$ 237,539	\$ 28,310
Interest	96,005	15,734
Changes of assumptions or other inputs	90,464	39,667
Differences between expected and actual experience	(43,128)	(2,891)
Benefit payments	(187,240)	(9,945)
Net change in total pension liability	193,640	70,875
Total pension liability—beginning	2,442,956	400,759
Total pension liability—ending	<u>\$ 2,636,596</u>	<u>\$ 471,634</u>
Covered-employee payroll	N/A	N/A
Total pension liability as a percentage of covered-employee payroll	N/A	N/A

*Information prior to the year ended May 31, 2015 is not available.

The notes to the required supplementary information is an integral part of this schedule.

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Schedule of Funding Progress—Other Postemployment Benefits Plan
Year Ended May 31, 2018

Governmental Activities:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") (b)	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 1, 2017	\$ -	\$ 25,956,706	\$ 25,956,706	-	\$ 3,925,359	661.26%
June 1, 2015	-	27,495,390	27,495,390	-	3,817,120	720.32%
June 1, 2013	-	24,989,997	24,989,997	-	6,353,335	393.34%

Business-type Activities:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") (b)	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 1, 2017	\$ -	\$ 1,075,942	\$ 1,075,942	-	\$ 1,075,849	100.01%
June 1, 2015	-	1,376,123	1,376,123	-	1,040,482	132.26%
June 1, 2013	-	1,167,152	1,167,152	-	1,137,180	102.64%

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual—General Fund
Year Ended May 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Real property taxes and other tax items	\$ 15,014,525	\$ 14,944,743	\$ 15,146,493	\$ 201,750
Non-property taxes items	2,015,000	2,281,605	2,299,458	17,853
Departmental income	1,825,330	2,020,354	2,067,781	47,427
Intergovernmental charges	681,500	709,734	711,947	2,213
Use of money and property	379,760	365,464	368,042	2,578
Licenses and permits	98,500	91,321	115,027	23,706
Fines and forfeitures	460,000	656,387	656,387	-
Sale of property and compensation for loss	11,500	57,414	1,387,420	1,330,006
Miscellaneous	35,000	35,000	39,776	4,776
State aid	335,098	399,430	649,111	249,681
Federal aid	70,000	176,074	176,074	-
Total revenues	<u>20,926,213</u>	<u>21,737,526</u>	<u>23,617,516</u>	<u>1,879,990</u>
EXPENDITURES				
Current:				
General government support	1,952,238	1,982,077	1,966,226	15,851
Public safety	9,073,188	8,558,076	8,525,894	32,182
Health	377,317	477,766	424,997	52,769
Transportation	978,465	1,024,343	919,782	104,561
Economic assistance and opportunity	320,829	315,820	305,233	10,587
Culture and recreation	1,179,367	1,143,809	1,094,457	49,352
Home and community services	1,913,750	2,178,945	2,084,759	94,186
Employee benefits	3,405,688	3,625,387	3,289,155	336,232
Debt service:				
Principal	-	1,625	1,625	-
Total expenditures	<u>19,200,842</u>	<u>19,307,848</u>	<u>18,612,128</u>	<u>695,720</u>
Excess (deficiency) of revenues over expenditures	<u>1,725,371</u>	<u>2,429,678</u>	<u>5,005,388</u>	<u>2,575,710</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,454,977)	(4,359,663)	(4,359,663)	-
Proceeds from capital lease	-	-	19,500	19,500
Total other financing sources (uses)	<u>(2,454,977)</u>	<u>(4,359,663)</u>	<u>(4,340,163)</u>	<u>19,500</u>
Net change in fund balances*	(729,606)	(1,929,985)	665,225	2,595,210
Fund balances—beginning	<u>12,981,167</u>	<u>12,981,167</u>	<u>12,981,167</u>	<u>-</u>
Fund balances—ending	<u>\$ 12,251,561</u>	<u>\$ 11,051,182</u>	<u>\$ 13,646,392</u>	<u>\$ 2,595,210</u>

*The net change in fund balance was included as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The notes to the required supplementary information are an integral part of this schedule.

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Notes to the Required Supplementary Information
Year Ended May 31, 2018

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for the General Fund, Debt Service Fund, and Public Library Fund. The Capital Projects Fund is appropriated on a project-length basis; appropriations are approved through Board resolution at the projects inception and lapse at upon termination of the project. No formal annual budgets are adopted for the Special Purpose Fund. Appropriation limits, where applicable, for the Special Purpose Fund are maintained based on individual grants and donations accepted by the Village/Town.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the Boards. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

2. PENSION LIABILITY—LOSAP

Changes of Assumptions or Other Inputs—The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was as follows:

December 31, 2016	3.71%
December 31, 2017	3.16%

Trust Assets—There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

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SUPPLEMENTARY INFORMATION

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VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
May 31, 2018

	<u>Special Revenue</u>		<u>Total</u>
	<u>Public</u>	<u>Special</u>	<u>Nonmajor</u>
	<u>Library</u>	<u>Purpose</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 379,287	\$ -	\$ 379,287
Restricted cash and cash equivalents	4,423	40,477	44,900
Prepaid items	650	-	650
Total assets	<u>\$ 384,360</u>	<u>\$ 40,477</u>	<u>\$ 424,837</u>
LIABILITIES			
Accounts payable	\$ 23,488	\$ -	\$ 23,488
Accrued liabilities	49,065	-	49,065
Due to other funds	24	-	24
Intergovernmental payables	<u>11,650</u>	<u>-</u>	<u>11,650</u>
Total liabilities	<u>84,227</u>	<u>-</u>	<u>84,227</u>
FUND BALANCES			
Nonspendable	650	-	650
Restricted	4,423	40,477	44,900
Assigned	<u>295,060</u>	<u>-</u>	<u>295,060</u>
Total fund balances	<u>300,133</u>	<u>40,477</u>	<u>340,610</u>
Total liabilities and fund balances	<u>\$ 384,360</u>	<u>\$ 40,477</u>	<u>\$ 424,837</u>

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended May 31, 2018

	Special Revenue		Total
	Public Library	Special Purpose	Nonmajor Funds
REVENUES			
Departmental income	\$ 1,780	\$ -	\$ 1,780
Use of money and property	5,411	-	5,411
Miscellaneous	13,171	11,355	24,526
State aid	5,657	-	5,657
Total revenues	<u>26,019</u>	<u>11,355</u>	<u>37,374</u>
EXPENDITURES			
Current:			
General government support	13,752	3,207	16,959
Culture and recreation	825,096	6,022	831,118
Employee benefits	279,030	-	279,030
Total expenditures	<u>1,117,878</u>	<u>9,229</u>	<u>1,127,107</u>
Excess (deficiency) of revenues over expenditures	<u>(1,091,859)</u>	<u>2,126</u>	<u>(1,089,733)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,822,994	-	1,822,994
Transfers out	(648,838)	-	(648,838)
Total other financing sources (uses)	<u>1,174,156</u>	<u>-</u>	<u>1,174,156</u>
Net change in fund balances	82,297	2,126	84,423
Fund balances—beginning	<u>217,836</u>	<u>38,351</u>	<u>256,187</u>
Fund balances—ending	<u>\$ 300,133</u>	<u>\$ 40,477</u>	<u>\$ 340,610</u>

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have 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 financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village/Town of Mount Kisco, New York (the "Village/Town") as of and for the year ended May 31, 2018, 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 April 1, 2019 (which report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 73).

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2018-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2018-002 to be a significant deficiency.

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*.

Village/Town's Response to Findings

The Village/Town's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village/Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



April 1, 2019

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Schedule of Findings and Responses
Year Ended May 31, 2018

We consider the deficiency presented below to be a material weakness in internal control.

2018-001—General Ledger Maintenance

Criteria—Transactions should be recorded in the general ledger on a recurring and timely basis. As the independent auditor, Drescher & Malecki LLP provides assistance to the Village/Town in the drafting of the financial statements but, as the auditor of the Village/Town, remains independent under Ethics Interpretation 101-3, Performance of Nonattest Services under Rule 101, Independence (AICPA, Professional Standards, vol. 2, ET §101.05). That is, the independent external auditors propose client approved adjusting journal entries during analysis of accounts and assist in the drafting of the financial statements from the Village/Town's trial balances. The Village/Town remains responsible for preparing and approving adjusting journal entries.

Condition and Context—Internal controls should be in place to ensure proper financial reporting and complete and accurate disclosures, exclusive of the efforts of the independent external auditor. Upon receipt of the Village/Town's trial balance it was noted that accrued liabilities had not been appropriately adjusted for current year activity. It was noted that beginning fund balance in the General Fund, Water Fund and Sewer Fund did not agree with the prior period financial statements. Several accounts required material adjustments to fairly present the financial position and activity of the Village/Town for the year ended May 31, 2018.

Effect or Potential Effect—Several adjusting journal entries were necessary to compile the Village/Town's financial statements. There is an increased risk of misappropriation of assets and financial statement misstatement.

Cause—The presence of several material proposed journal entries accumulated through the audit of the year ended May 31, 2018, which indicates insufficient utilization of GASB and Governmental GAAP standards and principles in preparation of the Village/Town's external audit.

Recommendation—We recommend that the Village/Town records journal entries on a more timely basis.

View of Responsible Officials and Corrective Action Plan—Management of the Village/Town attributes incorrect general ledger balances to inadequate staffing levels in the finance office during the year.

We consider the deficiency presented below to be a significant deficiency in internal control.

2018-002—Journal Entry and Bank Reconciliation Review

Criteria—Journal entries and bank reconciliations should have a formalized policy in place to ensure timely performance and review.

Condition and Context—We noted certain bank reconciliations and journal entries were not reviewed in a timely manner. Furthermore, certain journal entries were not signed or dated by the preparer and reviewer.

Effect or Potential Effect—The absence of timely reviews could lead to misstatements or errors in the bank reconciliation or journal entry processes. This could result in entries being unreliable and controls in place cannot be verified without a proper sign off and dating by the preparer and reviewer.

Cause—There is a lack of a formalized policy for journal entries and bank reconciliations.

Recommendation—We recommend that the Village/Town establish policies that detail the required steps when completing bank reconciliation and journal entry reviews. The policies should, at a minimum, (1) require that reviews be performed within certain timelines, and (2) include a requirement that bank reconciliations and journal entries be initialed and dated by the preparer and reviewer.

View of Responsible Officials and Corrective Action Plan—Management of the Village/Town is open to adopting policies for journal entries and bank reconciliations and will review example policies to modify for the Village/Town adoption.