

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

*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Federal
Awards Information for the Year Ended May 31, 2017
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, 2017, 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, 2017, 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, net position as of May 31, 2016 has been restated to correct a misstatement. 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, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, and Schedule of Expenditures of Federal Awards are 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 December 14, 2017 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.

Handwritten signature of Duescher & Malachuk LLP

December 14, 2017

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Management's Discussion and Analysis
Year Ended May 31, 2017

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, 2017. 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 \$49,373,481 (*net position*). This consists of \$47,715,160 net investment in capital assets, \$3,221,406 restricted net position offset by an unrestricted net position of \$(1,563,085).
- The Village/Town's primary government net position increased \$1,865,289 during the year ended May 31, 2017. Governmental activities increased the Village/Town's net position by \$1,474,547, and the net position of business-type activities increased by \$390,742.
- At the close of the current fiscal year, the Village/Town's governmental funds reported a combined ending fund balance of \$14,275,520, an increase of \$2,298,277 in comparison with the prior year's fund balance of \$11,977,243.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$6,520,483, or approximately 30.9 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 50.2 percent of the General Fund's total fund balance of \$12,981,167 at May 31, 2017.
- The Village/Town's total bonded indebtedness decreased by \$848,669 and \$1,426,331 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 14-15 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 six 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, all of which are considered to be major funds. Data from the other three governmental funds, which include the Public Library Fund, Section 8 Housing Fund and Special Purpose Fund, are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 16-19 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 20-22 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 23-24 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 25-60 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 liability, the Village/Town’s progress in funding its obligation to provide post-employment benefits to its employees, the Village/Town’s budgetary comparison for the General Fund, and the Village/Town’s funding progress and schedule of contributions for the LOSAP plans. Required supplementary information and a related note to the required supplementary information can be found on pages 61-71 of this report.

Other supplementary information is presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 72-73 of this report.

The Federal Awards Information section presents the Village/Town’s Schedule of Expenditures of Federal Awards. This section can be found on pages 74-84 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 \$49,373,481 at the close of the most recent fiscal year, as compared to \$47,508,192 at the close of the fiscal year ended May 31, 2016, 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	2016 (as restated)	2017	2016 (as restated)	2017	2016 (as restated)
Current assets	\$ 20,955,502	\$ 19,388,431	\$ 6,406,119	\$ 6,612,633	\$ 27,361,621	\$ 26,001,064
Noncurrent assets	36,042,856	36,012,086	27,735,413	28,641,632	63,778,269	64,653,718
Total assets	<u>56,998,358</u>	<u>55,400,517</u>	<u>34,141,532</u>	<u>35,254,265</u>	<u>91,139,890</u>	<u>90,654,782</u>
Deferred outflows of resources	2,018,027	5,116,873	460,962	901,406	2,478,989	6,018,279
Current liabilities	6,337,883	6,550,997	1,788,770	1,928,356	8,126,653	8,479,353
Noncurrent liabilities	24,733,267	27,601,636	10,210,291	12,002,015	34,943,558	39,603,651
Total liabilities	<u>31,071,150</u>	<u>34,152,633</u>	<u>11,999,061</u>	<u>13,930,371</u>	<u>43,070,211</u>	<u>48,083,004</u>
Deferred inflows of resources	1,079,639	973,708	95,548	108,157	1,175,187	1,081,865
Net position:						
Net investment in capital assets	29,631,399	28,932,691	18,083,761	17,527,061	47,715,160	46,459,752
Restricted	2,099,979	2,437,296	1,121,427	1,290,329	3,221,406	3,727,625
Unrestricted	<u>(4,865,782)</u>	<u>(5,978,938)</u>	<u>3,302,697</u>	<u>3,299,753</u>	<u>(1,563,085)</u>	<u>(2,679,185)</u>
Total net position	<u>\$ 26,865,596</u>	<u>\$ 25,391,049</u>	<u>\$ 22,507,885</u>	<u>\$ 22,117,143</u>	<u>\$ 49,373,481</u>	<u>\$ 47,508,192</u>

The largest portion of the Village/Town's primary government net position, \$47,715,160, 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, \$3,221,406, 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, \$(1,563,085) is considered to be an unrestricted deficit.

Table 2, as presented on the following page, shows the changes in net position for the years ended May 31, 2017 and May 31, 2016.

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,	
	2017	2016 (as restated)	2017	2016 (as restated)	2017	2016 (as restated)
Program revenues:						
Charges for services	\$ 3,613,693	\$ 3,671,564	\$ 5,241,863	\$ 5,759,711	\$ 8,855,556	\$ 9,431,275
Operating grants and contributions	1,294,764	1,387,044	-	-	1,294,764	1,387,044
Capital grants and contributions	-	41,144	-	-	-	41,144
General revenues	<u>19,638,573</u>	<u>17,741,773</u>	<u>79,526</u>	<u>80,986</u>	<u>19,718,099</u>	<u>17,822,759</u>
Total revenues	<u>24,547,030</u>	<u>22,841,525</u>	<u>5,321,389</u>	<u>5,840,697</u>	<u>29,868,419</u>	<u>28,682,222</u>
Program expenses	<u>23,015,460</u>	<u>22,762,919</u>	<u>4,925,073</u>	<u>5,037,263</u>	<u>27,940,533</u>	<u>27,800,182</u>
Transfers and special items	<u>(57,023)</u>	<u>-</u>	<u>(5,574)</u>	<u>-</u>	<u>(62,597)</u>	<u>-</u>
Change in net position	1,474,547	78,606	390,742	803,434	1,865,289	882,040
Net position—beginning, as restated	25,391,049	25,839,971	22,117,143	21,112,531	47,508,192	46,952,502
Restatement	<u>-</u>	<u>(527,528)</u>	<u>-</u>	<u>201,178</u>	<u>-</u>	<u>(326,350)</u>
Net position—ending	<u>\$ 26,865,596</u>	<u>\$ 25,391,049</u>	<u>\$ 22,507,885</u>	<u>\$ 22,117,143</u>	<u>\$ 49,373,481</u>	<u>\$ 47,508,192</u>

Governmental activities—Governmental activities increased the Village/Town’s net position by \$1,474,547, primarily due to an increase in real property taxes and other tax items revenue.

A summary of sources of revenues for governmental activities for the years ended May 31, 2017 and 2016 is presented in Table 3 below:

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended May 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
Charges for services	\$ 3,613,693	\$ 3,671,564	\$ (57,871)	(1.6)
Operating grants and contributions	1,294,764	1,387,044	(92,280)	(6.7)
Capital grants and contributions	-	41,144	(41,144)	n/a
Real property taxes and tax items	16,125,054	14,981,809	1,143,245	7.6
Other non-property taxes	2,084,878	2,060,236	24,642	1.2
Use of money and property	428,247	18,773	409,474	2181.2
Sale of property and compensation for loss	110,836	17,722	93,114	525.4
Miscellaneous	343,388	169,627	173,761	102.4
State sources—unrestricted	<u>546,170</u>	<u>493,606</u>	<u>52,564</u>	<u>10.6</u>
Total revenues	<u>\$ 24,547,030</u>	<u>\$ 22,841,525</u>	<u>\$ 1,705,505</u>	<u>7.5</u>

The most significant sources of revenues for the year ended May 31, 2017 are real property taxes and tax items, which amount to \$16,125,054, or 65.7 percent of total revenues, charges for services, which amount to \$3,613,693, or 14.7 percent of total revenues, and other non-property taxes, which amount to \$2,084,878, or 8.5 percent of total revenues. Similarly, for the year ended May 31, 2016, the largest sources of revenues were real property taxes and tax items of \$14,981,809, or 65.6 percent of total revenues, charges for services of \$3,671,564, or 16.1 percent of total revenues, and other non-property taxes of \$2,060,236, or 9.0 percent of total revenues.

During the year ended May 31, 2017, real property taxes and tax items increased \$1,143,245 due primarily to the acquisition of properties as a result of in-rem foreclosure auctions on delinquent property tax accounts. Additionally, use of money and property revenue increased \$409,474 from rent collected by the Village/Town during the current year.

A summary of program expenses for governmental activities for the years ended May 31, 2017 and 2016 is presented below in Table 4:

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended May 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
General governmental support	\$ 2,429,416	\$ 3,239,291	\$ (809,875)	(25.0)
Public safety	11,359,538	8,803,437	2,556,101	29.0
Health	617,530	488,359	129,171	26.5
Transportation	1,762,501	2,005,529	(243,028)	(12.1)
Economic assistance and opportunity	1,526,970	1,694,847	(167,877)	(9.9)
Culture and recreation	2,998,908	3,243,395	(244,487)	(7.5)
Home and community services	2,097,737	3,121,248	(1,023,511)	(32.8)
Interest and other fiscal charges	222,860	166,813	56,047	33.6
Total program expenses	<u>\$ 23,015,460</u>	<u>\$ 22,762,919</u>	<u>\$ 252,541</u>	1.1

The Village/Town's most significant expense items for governmental activities for the year ended May 31, 2017 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. For the year ended May 31, 2016, significant expense items were public safety of \$8,803,437, or 38.7 percent of total expenses, culture and recreation of \$3,243,395, or 14.2 percent of total expenses, general governmental support of \$3,239,291, or 14.2 percent of total expenses, and home and community services of \$3,121,248, or 13.7 percent of total expenses.

During the year ended May 31, 2017, public safety and health expenses increased, while home and community services, general governmental support, and transportation expenses decreased due primarily to a change in the allocation of employee benefits.

Business-type activities—Business-type activities increased the Village/Town's net position by \$390,742. For the year ended May 31, 2017, revenues decreased 8.9 percent, while expenses decreased 2.2 percent.

A summary of revenues and expenses for the Village/Town's business-type activities for the years ended May 31, 2017 and 2016 is presented on the following page.

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

	Year Ended May 31,		Increase/(Decrease)	
	2017	2016	Dollar	Percent (%)
Revenues:				
Charges for services	\$ 5,241,863	\$ 5,750,974	\$ (509,111)	(8.9)
Use of money and property	73,546	80,986	(7,440)	(9.2)
Sale of property and compensation for loss	5,700	7,860	(2,160)	(27.5)
Other revenue	280	877	(597)	(68.1)
Total revenues	<u>\$ 5,321,389</u>	<u>\$ 5,840,697</u>	<u>\$ (519,308)</u>	(8.9)
Expenses:				
Personal services and employee benefits	\$ 1,809,439	\$ 1,889,929	\$ (80,490)	(4.3)
Supplies	157,130	156,094	1,036	0.7
Utilities	229,090	281,618	(52,528)	(18.7)
Depreciation	1,339,913	1,318,370	21,543	1.6
Contracted services	1,111,264	1,072,021	39,243	3.7
Interest	278,237	319,231	(40,994)	(12.8)
Total expenses	<u>\$ 4,925,073</u>	<u>\$ 5,037,263</u>	<u>\$ (112,190)</u>	(2.2)

The most significant source of revenue for business-type activities for the year ended May 31, 2017 was charges for services, which accounted for \$5,241,863, or 98.5 percent of total revenues. Similarly, for the year ended May 31, 2016, the most significant source of revenue was charges for services, which accounted for \$5,750,974, 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, 2017 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. Similarly, for the year ended May 31, 2016, the most significant expense items were personal services and employee benefits, which accounted for \$1,889,929, or 37.5 percent of total expenses, and depreciation expense of \$1,318,370, or 26.2 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, 2017, the Village/Town's governmental funds reported combined ending fund balances of \$14,275,520, an increase of \$2,298,277 from the prior year fund balance of \$11,977,243. Approximately 45.7 percent, \$6,520,483, 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, \$1,598,891, 2) restricted for particular purposes, \$2,099,979, 3) committed for particular purposes, \$3,113,779, or 4) assigned for particular purposes, \$942,388.

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 \$6,520,483, while the total fund balance increased to \$12,981,167. 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 30.9 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 61.5 percent of that same amount.

The fund balance in the Capital Projects Fund decreased \$327,522 from the prior year, resulting in fund balance of \$737,204 as of May 31, 2017.

The fund balance in the Debt Service Fund decreased \$15,918 from the prior year, resulting in fund balance of \$300,962 as of May 31, 2017.

The Village/Town transferred the Section 8 Housing Choice Voucher Program to the Mount Kisco Housing Authority, effective January 1, 2017. As such, the Village/Town closed the Section 8 Housing Fund during the year ending May 31, 2017.

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, 2017 totaled \$18,098,207, which included \$14,314,569 net investment in capital assets, \$838,651 restricted net position, and an unrestricted net position of \$2,944,987. The Water Fund net position increased \$425,912 during the year ended May 31, 2017 as a result of increased metered water sales coupled with a decrease in water supply expenses.

Net position of the Sewer Fund at May 31, 2017 totaled \$4,409,678, which included \$3,769,192 net investment in capital assets, \$282,776 restricted net position, and unrestricted net position of \$357,710. The Sewer Fund net position decreased \$35,170 during the year ended May 31, 2017 as a result of decreased 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, 2017 is presented in Table 6 below:

Table 6—General Fund Budget

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues	\$ 20,846,585	\$ 21,058,539	\$ 23,720,087	\$ 2,661,548
Expenditures and other financing uses	21,030,372	22,269,385	21,104,023	(1,165,362)
Excess (deficiency) of revenues over expenditures and other financing uses	\$ (183,787)	\$ (1,210,846)	\$ 2,616,064	\$ 3,826,910

Original budget compared to final budget—During the year, the budget is modified, primarily to reflect changes in anticipated revenues and expenditures. Additionally, significant transfers and amendments to the budget include supplemental appropriations within transfers out to provide funding for ongoing capital projects, as well as additional contributions to the Water and Sewer Funds.

Final budget compared to actual results—The General Fund had a favorable variance from the final budget of \$3,826,910. The primary positive variances were realized in home and community service, public safety, general governmental support 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, 2017, amounted to \$36,042,856 and \$27,735,413, 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, 2017 and May 31, 2016 are presented in Table 7 below.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 11,577,611	\$ 11,577,611	\$ 1,082,787	\$ 1,082,787	\$ 12,660,398	\$ 12,660,398
Construction in progress	243,425	243,425	395,126	395,126	638,551	638,551
Land improvements	1,936,171	2,402,440	707,693	807,603	2,643,864	3,210,043
Buildings and improvements	14,454,487	14,916,946	1,949,225	2,028,018	16,403,712	16,944,964
Machinery and equipment	2,232,481	1,713,331	1,692,147	1,902,972	3,924,628	3,616,303
Infrastructure	5,598,681	5,158,333	21,908,435	22,425,126	27,507,116	27,583,459
Total	<u>\$ 36,042,856</u>	<u>\$ 36,012,086</u>	<u>\$ 27,735,413</u>	<u>\$ 28,641,632</u>	<u>\$ 63,778,269</u>	<u>\$ 64,653,718</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, 2017, the Village/Town had long term liabilities outstanding of \$24,733,267 and \$10,210,291 for governmental activities and business-type activities, respectively, as compared to \$27,601,636 and \$12,002,015, as restated, in the prior year. Of the total long-term liabilities outstanding at May 31, 2017, \$6,146,331 and \$8,658,669 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, 2017 and May 31, 2016 is presented in Table 8 on the following page.

Table 8—Summary of Long-Term Liabilities

	Governmental Activities		Business-type Activities		Total Primary Government	
	May 31,		May 31,		May 31,	
	2017	2016	2017	2016	2017	2016
Serial bonds	\$ 6,146,331	\$ 6,995,000	\$ 8,658,669	\$ 10,085,000	\$ 14,805,000	\$ 17,080,000
Premiums on serial bonds	528,255	616,843	359,009	492,064	887,264	1,108,907
Compensated absences	784,074	790,303	306,530	296,000	1,090,604	1,086,303
Landfill post-closure costs	146,178	663,000	-	-	146,178	663,000
Net pension liability	2,237,668	4,712,925	442,145	728,741	2,679,813	5,441,666
OPEB obligation	14,890,761	13,823,565	443,938	400,210	15,334,699	14,223,775
Total	<u>\$ 24,733,267</u>	<u>\$ 27,601,636</u>	<u>\$ 10,210,291</u>	<u>\$ 12,002,015</u>	<u>\$ 34,943,558</u>	<u>\$ 39,603,651</u>

Total outstanding long-term liabilities decreased by \$4,660,093 from prior year. Major factors that contributed to this decrease include:

- The serial bonds liability decreased in the governmental and business-type activities by \$848,669 and \$1,426,331, respectively as a result of scheduled principal payments.
- The landfill post-closure costs decreased in the governmental activities by \$516,822 as a result of a change in management’s estimate.
- The net pension liability decreased in the governmental and business-type activities by \$2,475,257 and \$286,596, respectively. This liability is based on actuarial results related to the New York State retirement contribution programs.
- Obligations for other postemployment benefits (“OPEB”) increased in the governmental and business-type activities by \$1,067,196 and \$43,728, respectively. This obligation is a commitment the Village/Town has made to its employees pursuant to contract negotiations. As health costs have risen dramatically over the past several years, Village/Town management has attempted to address these costs as new contracts have been negotiated. 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 12 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, 2017 was 4.6 percent. This compares to New York State’s average unemployment rate of 4.4 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.

BASIC FINANCIAL STATEMENTS

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VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Statement of Net Position
May 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,815,002	\$ 3,990,255	\$ 17,805,257
Restricted cash and cash equivalents	3,027,240	1,121,427	4,148,667
Receivables (net of allowance for uncollectibles):			
Taxes	516,382	-	516,382
Accounts receivable	415,364	1,281,462	1,696,826
Intergovernmental receivables	1,582,623	4,253	1,586,876
Real estate acquired for resale	1,573,536	-	1,573,536
Prepaid items	25,355	8,722	34,077
Capital assets, not being depreciated	11,821,036	1,477,913	13,298,949
Capital assets, net of accumulated depreciation	<u>24,221,820</u>	<u>26,257,500</u>	<u>50,479,320</u>
Total assets	<u>56,998,358</u>	<u>34,141,532</u>	<u>91,139,890</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	263,129	178,825	441,954
Deferred outflows—relating to pensions	<u>1,754,898</u>	<u>282,137</u>	<u>2,037,035</u>
Total deferred outflows of resources	<u>2,018,027</u>	<u>460,962</u>	<u>2,478,989</u>
LIABILITIES			
Accounts payable	948,924	298,604	1,247,528
Accrued liabilities	2,317,100	199,645	2,516,745
Intergovernmental payables	2,534,657	30,521	2,565,178
Due to Agency Fund	2,984	-	2,984
Unearned revenue	534,218	-	534,218
Bond anticipation notes payable	-	1,260,000	1,260,000
Noncurrent liabilities:			
Due within one year	765,370	1,412,049	2,177,419
Due within more than one year	<u>23,967,897</u>	<u>8,798,242</u>	<u>32,766,139</u>
Total liabilities	<u>31,071,150</u>	<u>11,999,061</u>	<u>43,070,211</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows—relating to pensions	<u>1,079,639</u>	<u>95,548</u>	<u>1,175,187</u>
Total deferred inflows of resources	<u>1,079,639</u>	<u>95,548</u>	<u>1,175,187</u>
NET POSITION			
Net investment in capital assets	29,631,399	18,083,761	47,715,160
Restricted for:			
Unemployment benefits	33,529	15,131	48,660
Open space	862,050	-	862,050
Special purposes	38,351	-	38,351
Capital projects	737,260	220,095	957,355
Debt service	428,789	105,904	534,693
Other	-	780,297	780,297
Unrestricted	<u>(4,865,782)</u>	<u>3,302,697</u>	<u>(1,563,085)</u>
Total net position	<u>\$ 26,865,596</u>	<u>\$ 22,507,885</u>	<u>\$ 49,373,481</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, 2017

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government support	\$ 2,429,416	\$ 768,570	\$ 6,179	\$ (1,654,667)	\$ -	\$ (1,654,667)
Public safety	11,359,538	1,217,642	-	(10,141,896)	-	(10,141,896)
Health	617,530	44,885	95,235	(477,410)	-	(477,410)
Transportation	1,762,501	971,485	270,876	(520,140)	-	(520,140)
Economic assistance and opportunity	1,526,970	31,284	917,652	(578,034)	-	(578,034)
Culture and recreation	2,998,908	509,207	1,170	(2,488,531)	-	(2,488,531)
Home and community services	2,097,737	70,620	3,652	(2,023,465)	-	(2,023,465)
Interest and other fiscal charges	222,860	-	-	(222,860)	-	(222,860)
Total governmental activities	<u>23,015,460</u>	<u>3,613,693</u>	<u>1,294,764</u>	<u>(18,107,003)</u>	<u>-</u>	<u>(18,107,003)</u>
Business-type activities:						
Water	\$ 3,992,619	\$ 4,345,302	\$ -	-	352,683	352,683
Sewer	932,454	896,561	-	-	(35,893)	(35,893)
Total business-type activities	<u>4,925,073</u>	<u>5,241,863</u>	<u>-</u>	<u>-</u>	<u>316,790</u>	<u>316,790</u>
Total primary government	<u>\$ 5,857,527</u>	<u>\$ 6,138,424</u>	<u>\$ -</u>	<u>(18,107,003)</u>	<u>316,790</u>	<u>(17,790,213)</u>
General revenues:						
Real property taxes and tax items				16,125,054	-	16,125,054
Other non-property taxes				2,084,878	-	2,084,878
Use of money and property				428,247	73,546	501,793
Sale of property and compensation for loss				110,836	5,700	116,536
Miscellaneous				343,388	280	343,668
State sources—unrestricted				546,170	-	546,170
Transfers				5,574	(5,574)	-
Special item—residual equity transfer				(62,597)	-	(62,597)
Total general revenues, transfers and special item				<u>19,581,550</u>	<u>73,952</u>	<u>19,655,502</u>
Change in net position				1,474,547	390,742	1,865,289
Net position—beginning, as restated				<u>25,391,049</u>	<u>22,117,143</u>	<u>47,508,192</u>
Net position—ending				<u>\$ 26,865,596</u>	<u>\$ 22,507,885</u>	<u>\$ 49,373,481</u>

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, 2017

	<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	\$ 13,515,033	\$ -	\$ -	\$ 299,969	\$ 13,815,002
Restricted cash and cash equivalents	1,553,263	1,129,972	301,237	42,768	3,027,240
Receivables (net of allowances for uncollectibles):					
Taxes	516,382	-	-	-	516,382
Accounts receivable	414,864	500	-	-	415,364
Due from other funds	771	-	-	60	831
Intergovernmental receivables	1,582,623	-	-	-	1,582,623
Real estate acquired for resale	1,573,536	-	-	-	1,573,536
Prepaid items	24,718	-	-	637	25,355
Total assets	<u>\$ 19,181,190</u>	<u>\$ 1,130,472</u>	<u>\$ 301,237</u>	<u>\$ 343,434</u>	<u>\$ 20,956,333</u>
LIABILITIES					
Accounts payable	\$ 533,961	\$ 393,268	\$ 275	\$ 21,420	\$ 948,924
Accrued liabilities	2,195,491	-	-	53,771	2,249,262
Due to other funds	3,815	-	-	-	3,815
Intergovernmental payables	2,522,601	-	-	12,056	2,534,657
Unearned revenue	534,218	-	-	-	534,218
Total liabilities	<u>5,790,086</u>	<u>393,268</u>	<u>275</u>	<u>87,247</u>	<u>6,270,876</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	409,937	-	-	-	409,937
Total deferred inflows of resources	<u>409,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>409,937</u>
FUND BALANCES					
Nonspendable	1,598,254	-	-	637	1,598,891
Restricted	1,019,045	737,204	300,962	42,768	2,099,979
Committed	3,113,779	-	-	-	3,113,779
Assigned	729,606	-	-	212,782	942,388
Unassigned	6,520,483	-	-	-	6,520,483
Total fund balances	<u>12,981,167</u>	<u>737,204</u>	<u>300,962</u>	<u>256,187</u>	<u>14,275,520</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,181,190</u>	<u>\$ 1,130,472</u>	<u>\$ 301,237</u>	<u>\$ 343,434</u>	<u>\$ 20,956,333</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, 2017

Amounts reported for governmental activities in the statement of net position (page 14) are different because:

Total fund balances—governmental funds (page 16)		\$ 14,275,520
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 \$67,599,373 and the accumulated depreciation is \$31,556,517.		36,042,856
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.		409,937
For refunding bonds, the difference between the reacquisition price and the net carrying amount of the refunded debt should be reported as a deferred charge and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements.		263,129
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	\$ 100,352	
Deferred outflows related to experience, changes in assumptions and investment earnings	1,654,546	
Deferred inflows related to pension plans	<u>(1,079,639)</u>	675,259
Net accrued interest expense for serial bonds is not reported in the fund statements.		(67,838)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effect of these items are:		
Serial bonds	\$ (6,146,331)	
Premium on serial bonds	(528,255)	
Compensated absences	(784,074)	
Landfill post-closure costs	(146,178)	
Net pension liability	(2,237,668)	
OPEB obligation	<u>(14,890,761)</u>	<u>(24,733,267)</u>
Net position of governmental activities		<u>\$ 26,865,596</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—Governmental Funds
Year Ended May 31, 2017

	<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	\$ 16,597,433	\$ -	\$ 51,682	\$ -	\$ 16,649,115
Non-property tax items	2,084,878	-	-	-	2,084,878
Departmental income	2,140,160	-	-	2,237	2,142,397
Intergovernmental charges	683,749	-	-	-	683,749
Use of money and property	417,926	-	4,351	5,970	428,247
Licenses and permits	147,639	-	-	-	147,639
Fines and forfeitures	639,908	-	-	-	639,908
Sale of property and compensation for loss	78,409	32,427	-	-	110,836
Miscellaneous	199,006	119,585	-	24,797	343,388
State aid	558,492	265,705	-	3,679	827,876
Federal aid	172,487	-	-	840,571	1,013,058
Total revenues	<u>23,720,087</u>	<u>417,717</u>	<u>56,033</u>	<u>877,254</u>	<u>25,071,091</u>
EXPENDITURES					
Current:					
General government support	1,702,963	-	275	17,784	1,721,022
Public safety	8,197,005	-	-	-	8,197,005
Health	454,698	-	-	-	454,698
Transportation	873,898	-	-	-	873,898
Economic assistance and opportunity	301,655	-	-	814,600	1,116,255
Culture and recreation	1,084,539	-	-	834,125	1,918,664
Home and community services	1,801,795	-	-	538	1,802,333
Employee benefits	3,412,089	-	-	255,589	3,667,678
Debt service:					
Principal	-	-	848,669	-	848,669
Interest and other fiscal charges	-	-	268,098	-	268,098
Capital outlay	-	1,847,471	-	-	1,847,471
Total expenditures	<u>17,828,642</u>	<u>1,847,471</u>	<u>1,117,042</u>	<u>1,922,636</u>	<u>22,715,791</u>
Excess (deficiency) of revenues over expenditures	<u>5,891,445</u>	<u>(1,429,754)</u>	<u>(1,061,009)</u>	<u>(1,045,382)</u>	<u>2,355,300</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	1,102,232	1,065,085	1,815,158	3,982,475
Transfers out	(3,275,381)	-	(19,994)	(681,526)	(3,976,901)
Total other financing sources (uses)	<u>(3,275,381)</u>	<u>1,102,232</u>	<u>1,045,091</u>	<u>1,133,632</u>	<u>5,574</u>
Special item:					
Residual equity transfer	-	-	-	(62,597)	(62,597)
Net change in fund balances	2,616,064	(327,522)	(15,918)	25,653	2,298,277
Fund balances—beginning	10,365,103	1,064,726	316,880	230,534	11,977,243
Fund balances—ending	<u>\$ 12,981,167</u>	<u>\$ 737,204</u>	<u>\$ 300,962</u>	<u>\$ 256,187</u>	<u>\$ 14,275,520</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—Governmental Funds to the Government-wide Statement of Activities
Year Ended May 31, 2017

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

Net change in fund balances—total governmental funds (page 18) \$ 2,298,277

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	\$ 1,880,488	
Loss on disposals	(3,300)	
Depreciation expense	<u>(1,846,418)</u>	30,770

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. (524,061)

For refunding bonds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred charge on the government-wide statements and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. (49,319)

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

Village/Town pension contributions	\$ 554,323	
Cost of benefits earned net of employee contributions	<u>(1,234,524)</u>	(680,201)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 5,969

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	\$ 848,669	
Amortization of bond premiums	88,588	
Change in compensated absences	6,229	
Change in landfill post-closure costs	516,822	
Change in OPEB obligation	<u>(1,067,196)</u>	<u>393,112</u>

Change in net position of governmental activities \$ 1,474,547

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, 2017

	Business-type Activities		
	Water	Sewer	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,983,386	\$ 1,006,869	\$ 3,990,255
Restricted cash and cash equivalents	838,651	282,776	1,121,427
Receivables	1,062,536	218,926	1,281,462
Intergovernmental receivables	4,253	-	4,253
Due from other funds	143	383	526
Prepaid items	<u>7,132</u>	<u>1,590</u>	<u>8,722</u>
Total current assets	<u>4,896,101</u>	<u>1,510,544</u>	<u>6,406,645</u>
Noncurrent assets:			
Capital assets not being depreciated:			
Land	592,276	490,511	1,082,787
Construction in progress	395,126	-	395,126
Capital assets, net of accumulated depreciation:			
Land improvements	707,693	-	707,693
Buildings and improvements	1,875,574	73,651	1,949,225
Machinery and equipment	1,618,829	73,318	1,692,147
Infrastructure	<u>17,963,924</u>	<u>3,944,511</u>	<u>21,908,435</u>
Total noncurrent assets	<u>23,153,422</u>	<u>4,581,991</u>	<u>27,735,413</u>
Total assets	<u>28,049,523</u>	<u>6,092,535</u>	<u>34,142,058</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	178,825	-	178,825
Deferred outflows - relating to pensions	<u>188,091</u>	<u>94,046</u>	<u>282,137</u>
Total deferred outflows of resources	<u>366,916</u>	<u>94,046</u>	<u>460,962</u>
LIABILITIES			
Current liabilities:			
Accounts payable	286,371	12,233	298,604
Accrued liabilities	52,578	20,574	73,152
Accrued interest payable	122,846	3,647	126,493
Due to other funds	383	143	526
Intergovernmental payables	20,413	10,108	30,521
Bond anticipation notes payable	<u>-</u>	<u>1,260,000</u>	<u>1,260,000</u>
Total current liabilities	<u>482,591</u>	<u>1,306,705</u>	<u>1,789,296</u>
Noncurrent liabilities:			
Due within one year	1,400,710	11,339	1,412,049
Due within more than one year	<u>8,371,232</u>	<u>427,010</u>	<u>8,798,242</u>
Total noncurrent liabilities	<u>9,771,942</u>	<u>438,349</u>	<u>10,210,291</u>
Total liabilities	<u>10,254,533</u>	<u>1,745,054</u>	<u>11,999,587</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - relating to pensions	<u>63,699</u>	<u>31,849</u>	<u>95,548</u>
Total deferred inflows of resources	<u>63,699</u>	<u>31,849</u>	<u>95,548</u>
NET POSITION			
Net investment in capital assets	14,314,569	3,769,192	18,083,761
Restricted	838,651	282,776	1,121,427
Unrestricted	<u>2,944,987</u>	<u>357,710</u>	<u>3,302,697</u>
Total net position	<u>\$ 18,098,207</u>	<u>\$ 4,409,678</u>	<u>\$ 22,507,885</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, 2017

	Business-type Activities		
	Water	Sewer	Total Enterprise Funds
Operating revenues:			
Charges for services	\$ 4,345,302	\$ 896,561	\$ 5,241,863
Sale of property and compensation for loss	5,700	-	5,700
Miscellaneous	280	-	280
Total operating revenues	<u>4,351,282</u>	<u>896,561</u>	<u>5,247,843</u>
Operating expenses:			
Personal services	691,873	353,998	1,045,871
Supplies	154,494	2,636	157,130
Utilities	222,690	6,400	229,090
Contractual expenses	957,962	153,302	1,111,264
Employee benefits	543,373	220,195	763,568
Depreciation	1,157,141	182,772	1,339,913
Total operating expenses	<u>3,727,533</u>	<u>919,303</u>	<u>4,646,836</u>
Operating income (loss)	<u>623,749</u>	<u>(22,742)</u>	<u>601,007</u>
Nonoperating revenues (expenses):			
Interest earnings	72,823	723	73,546
Interest expense	(265,086)	(13,151)	(278,237)
Total nonoperating revenues (expenses)	<u>(192,263)</u>	<u>(12,428)</u>	<u>(204,691)</u>
Income (loss) before transfers	431,486	(35,170)	396,316
Transfers out	<u>(5,574)</u>	<u>-</u>	<u>(5,574)</u>
Change in net position	425,912	(35,170)	390,742
Total net position—beginning, as restated	<u>17,672,295</u>	<u>4,444,848</u>	<u>22,117,143</u>
Total net position—ending	<u>\$ 18,098,207</u>	<u>\$ 4,409,678</u>	<u>\$ 22,507,885</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, 2017

	Business-type Activities		
	Water	Sewer	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from services provided	\$ 4,491,599	\$ 922,779	\$ 5,414,378
Receipts from other operating revenue	5,980	-	5,980
Payments to employees	(691,873)	(353,998)	(1,045,871)
Payments for employee benefits	(476,976)	(187,721)	(664,697)
Payments to suppliers of contracted services	(1,236,472)	(289,982)	(1,526,454)
Net cash provided by operating activities	<u>2,092,258</u>	<u>91,078</u>	<u>2,183,336</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers to governmental funds	(5,574)	-	(5,574)
Acquisition of capital assets	(389,414)	(44,280)	(433,694)
Principal payments on bonds	(1,426,331)	(60,000)	(1,486,331)
Interest payments	(361,716)	(12,288)	(374,004)
Net cash (used for) capital and related financing activities	<u>(2,183,035)</u>	<u>(116,568)</u>	<u>(2,299,603)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income earned	72,823	723	73,546
Net cash provided by investing activities	<u>72,823</u>	<u>723</u>	<u>73,546</u>
(Decrease) in cash and cash equivalents	(17,954)	(24,767)	(42,721)
Cash and cash equivalents—beginning of year	3,839,991	1,314,412	5,154,403
Cash and cash equivalents—end of year	<u>\$ 3,822,037</u>	<u>\$ 1,289,645</u>	<u>\$ 5,111,682</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 623,749	\$ (22,742)	\$ 601,007
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,157,141	182,772	1,339,913
Changes in assets and liabilities affecting cash flow:			
Decrease in receivables	146,297	26,218	172,515
(Increase) in prepaid items	(7,132)	(1,590)	(8,722)
Decrease in deferred outflows of resources	238,577	149,681	388,258
Increase (decrease) in payables	105,806	(126,054)	(20,248)
(Decrease) in accrued liabilities	(30,379)	(14,061)	(44,440)
(Decrease) in noncurrent liabilities	(136,664)	(95,674)	(232,338)
(Decrease) in deferred inflows of resources	(5,137)	(7,472)	(12,609)
Total adjustments	<u>1,468,509</u>	<u>113,820</u>	<u>1,582,329</u>
Net cash provided by operating activities	<u>\$ 2,092,258</u>	<u>\$ 91,078</u>	<u>\$ 2,183,336</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, 2017

	Pension Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 24,605	\$ 283,128
Accounts receivable	-	11,655
Due from other funds	-	2,984
Investments	3,424,207	-
Total assets	3,448,812	\$ 297,767
LIABILITIES		
Accounts payable	4,122	\$ 21,360
Other agency liabilities	-	276,407
Total liabilities	4,122	\$ 297,767
NET POSITION		
Restricted for pension benefits	\$ 3,444,690	

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, 2017

	Pension Trust
ADDITIONS	
Net investment income	\$ 104,285
Pension contributions	280,598
Net change in fair value of investments	207,813
Total additions	592,696
DEDUCTIONS	
Pension benefits	203,228
Administrative fees	45,126
Total deductions	248,354
Change in net position	344,342
Fund balances—beginning	3,100,348
Fund balances—ending	\$ 3,444,690

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, 2017

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. The transfer of the Section 8 housing assistance services resulted in a residual equity transfer to the Authority in the amount of \$62,597.

Related Organization—The Mount Kisco Housing Authority (the “Authority”) is a related organization to the Village/Town at May 31, 2017. 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 Project 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.
- *Section 8 Housing Fund*—The Section 8 Housing Fund is used to account for housing rental assistance programs financed by entitlements received from the U.S. Department of Housing and Urban Development. 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. The transfer of the Section 8 housing assistance services resulted in a residual equity transfer to the Authority in the amount of \$62,597.
- *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 measurable 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, Cash Equivalents and Investments—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. 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.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represents amounts to support restricted fund balance, future disbursements associated with unearned revenue, and unspent proceeds from debt issuances.

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.

Other Receivables—Other receivables 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:

	Estimated Useful Life (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, 2017, 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, 2017, 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 \$409,937, 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, 2017, the Village/Town reported unearned revenues of \$534,218 within the General Fund. The Village/Town received fees related to summer 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,

management believes that sufficient resources will be available for the payment of compensated absences when such payments become due.

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 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

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, 2017, the Village/Town implemented GASB Statements No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 77, *Tax Abatement Disclosures*, No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and No. 79, *Certain External Investment Pools and Pool Participants*. The objective of GASB Statement No. 72 is to enhance comparability of financial statements among governments by requiring measurements of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The objective of GASB Statement No. 76 is to reduce the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The objective of GASB Statement No. 77 is to improve financial reporting by state and local governments that enter into tax abatement agreements by requiring the disclosure of information about the nature and magnitude of tax abatements and will make these transactions more transparent to financial statement users. The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of GASB Statement No. 79 is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. GASB Statements No. 72, 76, 77, 78 and 79 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. 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, effective for the fiscal year ending May 31, 2018, 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 fiscal year ending May 31, 2019, No. 83, Certain Asset Retirement Obligations, and No. 84, Fiduciary Activities, effective for the fiscal year ending May 31, 2020, and No. 87, Leases, effective for the fiscal year ending May 31, 2021. The Village/Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 73, 74, 75, 80, 81, 82, 83, 84, 85, 86 and 87 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

During the fiscal year ended May 31, 2016, the Village/Town recorded a \$490,797 deferred charge on refunding within governmental activities. \$201,178 of the deferred charge on refunding should have been allocated to business-type activities. As a result of this error, governmental activities deferred outflows of resources and net position have decreased by \$201,178, while deferred outflows of resources and net position for the Water Fund and business-type activities have increased by \$201,178.

During the fiscal year ended May 31, 2016, the Village/Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* for the Village/Town’s participation in the New York State and Local Employees’ Retirement System. However, the Village/Town did not fully implement these Statements for their participation in the New York State Police and Fire Retirement System. The implementation of GASB Statements No. 68 and No. 71 results in the reporting of deferred outflows of resources, deferred inflow of resources and net pension liabilities. Governmental activities deferred outflows or resources, deferred inflows of resources, net pension liabilities, and net position have been restated as of May 31, 2016.

The Village/Town’s net position has been restated as follows:

	Governmental Activities	Business-type Activities <u>Water Fund</u>
Net position—May 31, 2016, as previously stated	\$ 25,918,577	\$ 17,471,117
Deferred charge on refunding	(201,178)	201,178
GASB Statements No. 68 and No. 71 implementation:		
Beginning system liability—Police and Fire Retirement System	(2,280,099)	-
Beginning deferred outflows of resources for:		
Differences between expected and actual experience	20,450	-
Changes of assumptions	982,943	-
Net difference between projected and actual investment earnings on pension plan investments	1,277,811	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	285,180	-
Beginning deferred inflows of resources for:		
Differences between expected and actual experience	(344,724)	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	(267,911)	-
Net position—May 31, 2016, as restated	<u>\$ 25,391,049</u>	<u>\$ 17,672,295</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, 2017 are as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 650	\$ -	\$ -	\$ 650
Deposits	16,841,592	5,111,682	307,733	22,261,007
Investments	-	-	3,424,207	3,424,207
Total	<u>\$ 16,842,242</u>	<u>\$ 5,111,682</u>	<u>\$ 3,731,940</u>	<u>\$ 25,685,864</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at May 31, 2017 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 1,250,000	\$ 1,250,000
Uninsured:		
Collateral held by pledging bank's agent in the Village/Town's name	<u>21,126,904</u>	<u>21,011,007</u>
Total	<u>\$ 22,376,904</u>	<u>\$ 22,261,007</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, 2017, 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 and Cash Equivalents—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, 2017, the Village/Town reported \$3,027,240 of restricted cash within its governmental funds.

Investments—The Village/Town reported \$3,112,983 and \$311,224 of service award program investments for fire and ambulance, respectively, within the Pension Trust Fund at May 31, 2017. 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, 2017 consisted of the following:

Taxes Receivable—Represents amounts due from taxpayers that remain unpaid. At May 31, 2017, the Village/Town recorded \$516,382 related to taxes receivable. These amounts are reported net of an allowance for uncollectible taxes provision of \$275,104.

Receivables—Represents amounts due from various sources. The Village/Town’s significant accounts receivable at May 31, 2017 are presented below:

Governmental funds:	
General Fund:	
Payment in lieu of rent agreements	\$ 161,733
Village court	82,355
Franchise fees	66,329
Rental agreements	44,994
Other	86,197
Less: allowance for doubtful accounts	(26,744)
Capital Projects Fund:	
Other	500
Total governmental funds	<u>\$ 415,364</u>
Proprietary funds:	
Water Fund:	
Water charges	\$ 1,062,536
Sewer Fund:	
Sewer rents	218,926
Total proprietary funds	<u>\$ 1,281,462</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, 2017 are presented below:

Governmental funds:	
General Fund:	
Fire district billings	\$ 624,671
Sales tax	403,399
Mortgage tax	187,454
Other	367,099
Total governmental funds	<u>\$ 1,582,623</u>

5. CAPITAL ASSETS

Governmental activities—Capital asset activity for the Village/Town’s governmental activities for the year ended May 31, 2017 was as follows:

	Balance 6/1/2016	Increases	Decreases	Balance 5/31/2017
Capital assets, not being depreciated:				
Land	\$ 11,577,611	\$ -	\$ -	\$ 11,577,611
Construction in progress	243,425	-	-	243,425
Total capital assets, not being depreciated	<u>11,821,036</u>	<u>-</u>	<u>-</u>	<u>11,821,036</u>
Capital assets, being depreciated:				
Land improvements	12,555,659	-	-	12,555,659
Buildings and improvements	23,756,097	144,406	-	23,900,503
Machinery and equipment	7,087,799	878,653	687,765	7,278,687
Infrastructure	11,186,059	857,429	-	12,043,488
Total capital assets, being depreciated	<u>54,585,614</u>	<u>1,880,488</u>	<u>687,765</u>	<u>55,778,337</u>
Less accumulated depreciation for:				
Land improvements	10,153,219	466,269	-	10,619,488
Buildings and improvements	8,839,151	606,865	-	9,446,016
Machinery and equipment	5,374,468	356,203	684,465	5,046,206
Infrastructure	6,027,726	417,081	-	6,444,807
Total accumulated depreciation	<u>30,394,564</u>	<u>1,846,418</u>	<u>684,465</u>	<u>31,556,517</u>
Total capital assets, being depreciated, net	<u>24,191,050</u>	<u>34,070</u>	<u>3,300</u>	<u>24,221,820</u>
Governmental activities capital assets, net	<u>\$ 36,012,086</u>	<u>\$ 34,070</u>	<u>\$ 3,300</u>	<u>\$ 36,042,856</u>

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

General governmental support	\$ 129,632
Public safety	418,776
Health	9,922
Transportation	594,719
Economic assistance and opportunity	42,179
Culture and recreation	445,070
Home and community services	206,120
Total governmental activities	<u>\$ 1,846,418</u>

Business-type activities—Capital asset activity for the Village/Town’s business-type activities for the year ended May 31, 2017 was as follows:

	Balance 6/1/2016	Increases	Decreases	Balance 5/31/2017
Capital assets, not being depreciated:				
Land	\$ 1,082,787	\$ -	\$ -	\$ 1,082,787
Construction in progress	395,126	-	-	395,126
Total capital assets, not being depreciated	<u>1,477,913</u>	<u>-</u>	<u>-</u>	<u>1,477,913</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	5,977,669	35,850	-	6,013,519
Infrastructure	<u>35,868,543</u>	<u>397,844</u>	<u>-</u>	<u>36,266,387</u>
Total capital assets, being depreciated	<u>47,409,607</u>	<u>433,694</u>	<u>-</u>	<u>47,843,301</u>
Less accumulated depreciation for:				
Land improvements	1,334,873	99,910	-	1,434,783
Buildings and improvements	1,392,901	78,793	-	1,471,694
Machinery and equipment	4,074,697	246,675	-	4,321,372
Infrastructure	<u>13,443,417</u>	<u>914,535</u>	<u>-</u>	<u>14,357,952</u>
Total accumulated depreciation	<u>20,245,888</u>	<u>1,339,913</u>	<u>-</u>	<u>21,585,801</u>
Total capital assets, being depreciated, net	<u>27,163,719</u>	<u>(906,219)</u>	<u>-</u>	<u>26,257,500</u>
Business-type activities capital assets, net	<u>\$ 28,641,632</u>	<u>\$ (906,219)</u>	<u>\$ -</u>	<u>\$ 27,735,413</u>

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

Water	\$ 1,157,141
Sewer	<u>182,772</u>
Total business-type activities	<u>\$ 1,339,913</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental and proprietary funds at May 31, 2017, were as follows:

	Governmental Funds		
	General Fund	Nonmajor Governmental Funds	
Salaries and employee benefits	\$ 353,847	\$ 43,813	\$ 397,660
Policing services contract	1,706,607	-	1,706,607
Current health claims	135,037	9,958	144,995
Total accrued liabilities	<u>\$ 2,195,491</u>	<u>\$ 53,771</u>	<u>\$ 2,249,262</u>

	Proprietary Funds		
	Water	Sewer	Total
Salaries and employee benefits	\$ 35,201	\$ 14,399	\$ 49,600
Current health claims	17,377	6,175	23,552
Total accrued liabilities	<u>\$ 52,578</u>	<u>\$ 20,574</u>	<u>\$ 73,152</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, 2017, 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, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2016, 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.

	PFRS		ERS	
	Governmental Activities		Business-type Activities	
Measurement date	March 31, 2017	March 31, 2017	March 31, 2017	March 31, 2017
Net pension liability	\$ 837,542	\$ 1,400,126	\$ 442,145	
Village/Town's portion of the Plan's total net pension liability	0.0404092%	0.0149009%	0.0047056%	

For the year ended May 31, 2017, the Village/Town recognized PFRS pension expense of \$426,800. For the year ended May 31, 2017, the Village/Town recognized ERS pension expenses of \$773,333 and \$244,211 for governmental activities and business-type activities, respectively. At May 31, 2017, 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	\$ 109,871	\$ 144,709	\$ 35,086	\$ 11,080	\$ 212,617	\$ 67,142
Changes of assumptions	412,622	-	478,334	151,053	-	-
Net difference between projected and actual earnings on pension plan investments	125,086	-	279,662	88,314	-	-
Changes in proportion and differences between the Village/Town's contributions and proportionate share of contributions	213,885	632,361	-	-	89,952	28,406
Village/Town contributions subsequent to the measurement date	-	-	100,352	31,690	-	-
Total	<u>\$ 861,464</u>	<u>\$ 777,070</u>	<u>\$ 893,434</u>	<u>\$ 282,137</u>	<u>\$ 302,569</u>	<u>\$ 95,548</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, 2018. 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	
2018	\$ 100,227	\$ 236,326	\$ 74,629	
2019	100,227	236,326	74,629	
2020	90,892	215,179	67,950	
2021	(143,710)	(197,318)	(62,311)	
2022	(63,242)	-	-	

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, 2017	March 31, 2017
Actuarial valuation date	April 1, 2016	April 1, 2016
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, 2016 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.

Measurement date	PFRS and ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
	March 31, 2017	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.8
Real estate	10.0	5.8
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real assets	3.0	5.5
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.5
Total	<u>100.0 %</u>	

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)—PFRS	\$ 2,374,383	\$ 837,542	\$ (451,491)
Employer's proportionate share of the net pension liability/(asset)—ERS	4,471,725	1,400,126	(1,196,905)
Business-type activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 1,412,124	\$ 442,145	\$ (377,970)

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, 2016	April 1, 2016	
Employers' total pension liability	\$ 31,670,483	\$ 177,400,586	\$ 209,071,069
Plan fiduciary net position	<u>29,597,830</u>	<u>168,004,363</u>	<u>197,602,193</u>
Employers' net pension liability	<u>\$ 2,072,653</u>	<u>\$ 9,396,223</u>	<u>\$ 11,468,876</u>
System fiduciary net position as a percentage of total pension liability	93.5%	94.7%	94.5%

8. LENGTH OF SERVICE AWARDS PROGRAM (“LOSAP”)

Fire Service Award Program

The Village/Town’s financial statements are for the year ended May 31, 2017. However, the information contained in this note is based on information for the Length of Service Award Program (“LOSAP”) as of December 31, 2016, which is the most recent plan year for which complete information is available.

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.

Program Description

Participation, Vesting and Service Credit—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.

Benefits—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.

Fiduciary Investment and Control—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 Conduent 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 Conduent 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 Conduent.

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 Conduent. Portions of the following information are derived from the most recent report prepared by the actuary with a valuation date of December 31, 2016.

Program Financial Condition

Assets and Liabilities:

Actuarial Present Value of Benefits at December 31, 2016			\$ 4,960,105
Less: Assets available for benefits	<u>% of total</u>		
<i>Cash and short-term investments:</i>			
Cash and cash equivalents	7.76%	\$ 239,755	
<i>Investments at fair value:</i>			
U.S. equities	4.45%	137,453	
International equities	45.59%	1,408,061	
Fixed income	33.37%	1,030,457	
<i>Other assets:</i>			
Other assets	8.81%	<u>272,057</u>	
Total net assets available for benefits			<u>3,087,783</u>
Total unfunded benefits			<u>\$ (1,872,322)</u>

Receipts and Disbursements:

Plan net assets, January 1, 2016			\$ 2,819,065
<i>Additions:</i>			
Plan contributions		\$ 280,598	
Investment income earned		223,376	
<i>Deductions:</i>			
Plan benefit withdrawals		(197,743)	
Administrative fees		<u>(37,513)</u>	
Net change			<u>268,718</u>
Plan net assets, December 31, 2016			<u>\$ 3,087,783</u>

Contributions

Amount of sponsor's contribution recommended by actuary for 2016	\$ 259,462
Amount of sponsor's actual contribution	280,598

Administrative Fees

Fees paid to designated program administrator	\$ 29,763
Fees paid to actuary	7,750

Funding Methodology and Actuarial Assumptions—The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the attained age normal frozen initial liability method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are based on an assumed rate of return on investment of 5.5%.

Mortality Tables used for retirement are based on the RP-2014 Healthy Annuitant Total Mortality Table using MP-2014 improvement scale on a fully generational basis.

The Village/Town accounts for service award program assets within its Pension Trust Fund. As of May 31, 2017, the Fire Service Award program investments totaled \$3,112,983.

Ambulance Service Award Program

The Village/Town's financial statements are for the year ended May 31, 2017. However, the information contained in this note is based on information for the Length of Service Award Program ("LOSAP") for the Village/Town of Mount Kisco Volunteer Ambulance Corps as of December 31, 2016, which is the most recent plan year for which complete information is available.

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.

Program Description

Participation, Vesting and Service Credit—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.

Benefits—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 service. The number of years of service used to compute the benefit cannot exceed forty. 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.

Fiduciary Investment and Control—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 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 of Trustees, 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 of Trustees.

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, 2016.

Program Financial Condition

Assets and Liabilities:

Actuarial Present Value of Benefits at December 31, 2016			\$	249,908
Less: Assets available for benefits		<u>% of total</u>		
<i>Investments at fair value:</i>				
U.S. equities	60.52%	\$	188,353	
Fixed income	27.56%		85,773	
Mixed assets	11.92%		<u>37,098</u>	
Total net assets available for benefits				<u>311,224</u>
Total unfunded benefits				<u>\$ 61,316</u>

Receipts and Disbursements:

Plan net assets, January 1, 2016			\$	270,543
Additions:				
Plan contributions		\$	39,758	
Investment income earned			14,901	
Deductions:				
Plan benefit withdrawals			(9,465)	
Change in benefits payable			(1,398)	
Administrative fees			<u>(3,115)</u>	
Net change				<u>40,681</u>
Plan net assets, December 31, 2016				<u>\$ 311,224</u>

Contributions

Amount of sponsor's contribution recommended by actuary for 2016	\$	24,088
Amount of sponsor's actual contribution		39,758

Administrative Fees

Fees paid to designated program administrator	\$	4,513
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Funding Methodology and Actuarial Assumptions—The actuarial valuation methodology used by the actuary to determine the sponsor’s contribution is the attained age normal frozen initial liability method. The assumptions used by the actuary to determine the sponsor’s contribution and the actuarial present value of benefits are based on an assumed rate of return on investment of 6.0%.

Mortality Tables used for retirement are based on the 2014 Mortality Table projected with Scale MP-2016 to 2020, blended 60% male and 40% female.

The Village/Town accounts for service award program assets within its Pension Fund. As of May 31, 2017, the Ambulance Service Award program investments totaled \$311,224.

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 148 retirees receiving health care benefits at May 31, 2017.

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 on the following page 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, 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	<u>(799,418)</u>	<u>(23,144)</u>	<u>(822,562)</u>
Annual OPEB cost (expense)	2,053,040	123,754	2,176,794
Contributions made	<u>(985,844)</u>	<u>(80,026)</u>	<u>(1,065,870)</u>
Increase in net OPEB obligation	1,067,196	43,728	1,110,924
Net OPEB obligation—beginning of year	<u>13,823,565</u>	<u>400,210</u>	<u>14,223,775</u>
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	<u>(738,056)</u>	<u>(21,075)</u>	<u>(759,131)</u>
Annual OPEB cost (expense)	1,989,872	119,213	2,109,085
Contributions made	<u>(928,789)</u>	<u>(83,436)</u>	<u>(1,012,225)</u>
Increase in net OPEB obligation	1,061,083	35,777	1,096,860
Net OPEB obligation—beginning of year	<u>12,762,482</u>	<u>364,433</u>	<u>13,126,915</u>
Net OPEB obligation—end of year	<u>\$ 13,823,565</u>	<u>\$ 400,210</u>	<u>\$ 14,223,775</u>

	Year Ended May 31, 2015		
	Governmental Activities	Business-type Activities	Total
Annual required contribution ("ARC")	\$ 2,839,189	\$ 105,366	\$ 2,944,555
Interest on net OPEB obligation	440,800	13,939	454,739
Adjustment to ARC	<u>(637,288)</u>	<u>(20,153)</u>	<u>(657,441)</u>
Annual OPEB cost (expense)	2,642,701	99,152	2,741,853
Contributions made	<u>(900,224)</u>	<u>(83,203)</u>	<u>(983,427)</u>
Increase in net OPEB obligation	1,742,477	15,949	1,758,426
Net OPEB obligation—beginning of year	<u>11,020,005</u>	<u>348,484</u>	<u>11,368,489</u>
Net OPEB obligation—end of year	<u>\$ 12,762,482</u>	<u>\$ 364,433</u>	<u>\$ 13,126,915</u>

Funding Status and Funding Progress—As of June 1, 2015, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits was \$27,495,390 and \$1,376,123 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:

Year Ended May 31,	Total Primary Government			
	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
2017	\$ 2,176,794	\$ 1,065,870	49.0%	\$ 15,334,699
2016	2,109,085	1,012,225	48.0%	14,223,775
2015	2,741,853	983,427	35.9%	13,126,915

Year Ended May 31,	Governmental Activities			
	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
2017	\$ 2,053,040	\$ 985,844	48.0%	\$ 14,890,761
2016	1,989,872	928,789	46.7%	13,823,565
2015	2,642,701	900,224	34.1%	12,762,482

Year Ended May 31,	Business-type Activities			
	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
2017	\$ 123,754	\$ 80,026	64.7%	\$ 443,938
2016	119,213	83,436	70.0%	400,210
2015	99,152	83,203	83.9%	364,433

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, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a valuation date of June 1, 2015 and measurement date of May 31, 2017. 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. RISK MANAGEMENT

The Village/Town purchases various insurance coverages to reduce its exposure to loss. The Village/Town maintains general liability and public official’s liability insurance coverage, with policy limits of \$2 million and \$1 million, respectively. The Village/Town also maintains an umbrella policy which provides coverage up to \$10 million per claim (\$20 million aggregate). Workers’ compensation is secured with statutory coverages. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 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 Legislatures of the County of Westchester. This act provides cities, towns and villages throughout Westchester County with an opportunity to participate in a cooperative program for providing health benefits to municipal employees by entering into an inter-municipal agreement pursuant to Article 5G of the General Municipal Law. MEBCO is a public entity risk pool currently operating a common risk management and health insurance program for its members. The purpose of the pool is to stabilize the cost of medical benefits provided to employees. MEBCO functions primarily as a claims service whereby each participating municipality retains its own risk. MEBCO does not transfer risk since charges to each municipality are ultimately determined by their individual claims/loss experience.

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

Effective June 1, 2003, the Village/Town joined the New York Municipal Insurance Reciprocal (“NYMIR”). NYMIR is an insurance reciprocal formed in 1993 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, 2017:

Description	Maturity Date	Interest Rate	Balance 6/1/2016	Additions	Reductions	Balance 5/31/2017
Business-type Activities:						
Sewer Fund:						
Sewer Relining Village-wide	3/17/2017	0.90%	\$ 1,320,000	\$ -	\$ 1,320,000	\$ -
Sewer Relining Village-wide	3/16/2018	1.39%	-	1,260,000	-	1,260,000
Total			\$ 1,320,000	\$ 1,260,000	\$ 1,320,000	\$ 1,260,000

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, compensated absences, landfill post-closure costs, net pension liability, 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, 2017 is presented below:

	Balance 6/1/2016 (as restated)	Additions	Reductions	Balance 5/31/2017	Due Within One Year
Governmental activities:					
Serial bonds	\$ 6,995,000	\$ -	\$ 848,669	\$ 6,146,331	\$ 623,480
Premiums on serial bonds	616,843	-	88,588	528,255	53,183
Bonds payable	7,611,843	-	937,257	6,674,586	676,663
Compensated absences	790,303	720,011	726,240	784,074	78,407
Landfill post-closure costs	663,000	-	516,822	146,178	10,300
Net pension liability*	4,712,925	-	2,475,257	2,237,668	-
OPEB obligation	13,823,565	2,053,040	985,844	14,890,761	-
Total governmental activities	<u>\$ 27,601,636</u>	<u>\$ 2,773,051</u>	<u>\$ 5,641,420</u>	<u>\$ 24,733,267</u>	<u>\$ 765,370</u>
Business-type activities:					
Serial bonds	\$ 10,085,000	\$ -	\$ 1,426,331	\$ 8,658,669	\$ 1,336,520
Premiums on serial bonds	492,064	-	133,055	359,009	44,876
Bonds payable	10,577,064	-	1,559,386	9,017,678	1,381,396
Compensated absences	296,000	294,380	283,850	306,530	30,653
Net pension liability*	728,741	-	286,596	442,145	-
OPEB obligation	400,210	123,754	80,026	443,938	-
Total business-type activities	<u>\$ 12,002,015</u>	<u>\$ 418,134</u>	<u>\$ 2,209,858</u>	<u>\$ 10,210,291</u>	<u>\$ 1,412,049</u>

(*reductions to the net pension liabilities are shown net of additions)

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, 2017 is shown below:

Description	Original Issue	Year of Issue/ Maturity	Interest Rate (%)	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017
Governmental activities:							
Refunding EFC	\$ 820,000	2010 / 2018	2.94-3.13	\$ 220,000	\$ -	\$ 110,000	\$ 110,000
Public Improvement	8,000,000	2007 / 2017	4.00-4.25	395,000	-	395,000	-
Refunding	2,860,000	2010 / 2017	1.50-4.00	215,000	-	215,000	-
Public Improvement	745,000	2011 / 2023	3.00-4.00	465,000	-	60,000	405,000
Serial Bonds	717,000	2012 / 2027	2.00-4.00	550,000	-	45,000	505,000
Refunding	144,426	2016 / 2024	2.25-5.00	150,000	-	18,669	131,331
Refunding	5,075,000	2016 / 2026	2.25-5.00	5,000,000	-	5,000	4,995,000
Total governmental activities				<u>\$ 6,995,000</u>	<u>\$ -</u>	<u>\$ 848,669</u>	<u>\$ 6,146,331</u>
Business-type activities:							
Refunding EFC - Water	\$ 10,785,000	2011 / 2022	2.62-3.99	\$ 6,500,000	\$ -	\$ 970,000	\$ 5,530,000
Refunding - Water	740,000	2010 / 2017	1.50-4.00	155,000	-	155,000	-
Refunding	3,625,574	2016 / 2024	2.25-5.00	3,430,000	-	301,331	3,128,669
Total business-type activities				<u>\$ 10,085,000</u>	<u>\$ -</u>	<u>\$ 1,426,331</u>	<u>\$ 8,658,669</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, 2017 are \$528,255 and \$359,009 for governmental and business-type activities, respectively.

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, 2017 for governmental and business-type activities amounts to \$784,074 and \$306,530, respectively.

Landfill Post-Closure Costs—The results of the Village/Town’s evaluation of its landfill post-closure costs concluded with an estimate of \$146,178 being recorded within liabilities of the governmental activities on the government-wide financial statements.

Net Pension Liability—The Village/Town reported a liability for governmental and business-type activities, totaling \$2,237,668 and \$442,145, respectively, for its proportionate share of the net pension liability for the Police and Fire Retirement System and Employees’ Retirement System. Refer to Note 7 for additional information related to the Village/Town’s net pension liability.

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 \$14,890,761 and \$443,938, respectively, as of May 31, 2017.

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

Year Ending May 31,	Governmental Activities						Total
	Serial Bonds	Premiums on Serial Bonds	Compensated Absences	Landfill Post-Closure	Net Pension Liability	OPEB Obligation	
2018	\$ 623,480	\$ 53,183	\$ 78,407	\$ 10,300	\$ -	\$ -	\$ 765,370
2019	544,250	53,183	-	10,609	-	-	608,042
2020	565,020	53,183	-	10,927	-	-	629,130
2021	600,791	53,183	-	11,255	-	-	665,229
2022	626,946	53,183	-	11,593	-	-	691,722
2023-thereafter	<u>3,185,844</u>	<u>262,340</u>	<u>705,667</u>	<u>91,494</u>	<u>2,237,668</u>	<u>14,890,761</u>	<u>21,373,774</u>
Total	<u>\$ 6,146,331</u>	<u>\$ 528,255</u>	<u>\$ 784,074</u>	<u>\$ 146,178</u>	<u>\$ 2,237,668</u>	<u>\$ 14,890,761</u>	<u>\$ 24,733,267</u>

Year Ending May 31,	Business-type Activities						Total
	Serial Bonds	Premiums on Serial Bonds	Compensated Absences	Net Pension Liability	OPEB Obligation		
2018	\$1,336,520	\$ 44,876	\$ 30,653	\$ -	\$ -	\$ 1,412,049	
2019	1,395,750	44,876	-	-	-	1,440,626	
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-thereafter	<u>1,319,156</u>	<u>134,629</u>	<u>275,877</u>	<u>442,145</u>	<u>443,938</u>	<u>2,615,745</u>	
Total	<u>\$8,658,669</u>	<u>\$ 359,009</u>	<u>\$ 306,530</u>	<u>\$ 442,145</u>	<u>\$ 443,938</u>	<u>\$10,210,291</u>	

Interest requirements on serial bonds payable are as follows:

Year Ending May 31,	Governmental Activities	Business-type Activities	Total
2018	\$ 232,334	\$ 316,706	\$ 549,040
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
2023-2027	<u>231,321</u>	<u>69,348</u>	<u>300,669</u>
Total	<u>\$ 1,123,328</u>	<u>\$ 1,107,033</u>	<u>\$ 2,230,361</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:

	<u>Governmental Activities</u>
Capital assets, net of accumulated depreciation	\$ 36,042,856
Less related debt:	
Serial bonds	(6,146,331)
Unamortized bond premiums	(528,255)
Deferred charge on refunding	<u>263,129</u>
Net investment in capital assets	<u>\$ 29,631,399</u>

	<u>Business-type Activities</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Capital assets, net of accumulated depreciation	\$ 23,153,422	\$ 4,581,991	\$ 27,735,413
Less related debt:			
Serial bonds	(8,658,669)	-	(8,658,669)
Bond anticipation notes	-	(1,260,000)	(1,260,000)
Unspent debt proceeds	-	447,201	447,201
Unamortized bond premiums	(359,009)	-	(359,009)
Deferred charge on refunding	<u>178,825</u>	<u>-</u>	<u>178,825</u>
Net investment in capital assets	<u>\$ 14,314,569</u>	<u>\$ 3,769,192</u>	<u>\$ 18,083,761</u>

- **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.
- **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, 2017 includes:

- **Prepaid Items**—Representing the portion of fund balance, \$24,718 and \$637, 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, \$1,573,536, 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, 2017 is presented in the following table:

	Governmental Funds				
	General	Capital	Debt	Total	Total
	Fund	Projects	Service	Nonmajor Funds	
Unemployment benefits	\$ 29,112	\$ -	\$ -	\$ 4,417	\$ 33,529
Capital projects	56	737,204	-	-	737,260
Open space	862,050	-	-	-	862,050
Special purposes	-	-	-	38,351	38,351
Debt service	127,827	-	300,962	-	428,789
Total	<u>\$ 1,019,045</u>	<u>\$ 737,204</u>	<u>\$ 300,962</u>	<u>\$ 42,768</u>	<u>\$ 2,099,979</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 net position 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, 2017, the Village/Town reported the following committed fund balance:

- **Committed for Tax Stabilization**—Represents funds, \$286,311, committed to tax stabilization.

- **Committed for Capital Projects**— Represents funds, \$2,827,468, 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, 2017 and include the following:

- **Assigned to Subsequent Year's Expenditures**—Representing available fund balance being appropriated to meet expenditure requirements in the 2017-2018 fiscal year. As of May 31, 2017, 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, 2017, the General Fund recorded \$15,104 of assigned fund balance related to encumbrances.
- **Assigned to Specific Use**—Represents funds, \$212,782, 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, 2017 is as follows:

	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 771	\$ 3,815
Public Library Fund	60	-
Total governmental funds	831	3,815
Enterprise funds:		
Water Fund	143	383
Sewer Fund	383	143
Total enterprise funds	526	526
Fiduciary funds:		
Agency Fund	2,984	-
Total	\$ 4,341	\$ 4,341

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, 2017:

Transfers In:	Transfers Out				Total
	Governmental funds			Proprietary funds	
	General Fund	Debt Service Fund	Nonmajor Funds	Water Fund	
Governmental funds:					
Capital Projects Fund	\$ 1,102,232	\$ -	\$ -	\$ -	\$ 1,102,232
Debt Service Fund	377,985	-	681,526	5,574	1,065,085
Nonmajor Funds	1,795,164	19,994	-	-	1,815,158
Total	<u>\$ 3,275,381</u>	<u>\$ 19,994</u>	<u>\$ 681,526</u>	<u>\$ 5,574</u>	<u>\$ 3,982,475</u>

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, 2017:

	Balance 6/1/2016	Increases	Decreases	Balance 5/31/2017
ASSETS				
Cash and cash equivalents	\$ 332,377	\$ 2,911,456	\$ 2,960,705	\$ 283,128
Accounts receivable	34,671	12,337	35,353	11,655
Due from other funds	-	6,817,491	6,814,507	2,984
Total assets	<u>\$ 367,048</u>	<u>\$ 9,741,284</u>	<u>\$ 9,810,565</u>	<u>\$ 297,767</u>
LIABILITIES				
Accounts payable	\$ 52,369	\$ 3,182,651	\$ 3,213,660	\$ 21,360
Due to other funds	-	5,627	5,627	-
Other agency liabilities	314,679	239,995	278,267	276,407
Total liabilities	<u>\$ 367,048</u>	<u>\$ 3,428,273</u>	<u>\$ 3,497,554</u>	<u>\$ 297,767</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, 2017 for the International Brotherhood of Teamsters and through May 31, 2018 for the Administrative Group and United Federation of Police Officers.

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, 2017, the Village/Town reported the following significant encumbrances within the Capital Projects Fund:

Purpose	Amount Encumbered
Vehicles	\$ 128,141
Land improvements	63,088

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 \$199,275 during the 2016-2017 fiscal year in payments in lieu of taxes (“PILOT”), these collections were made in lieu 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.

Other—The Village/Town is involved in litigation in the ordinary course of its operations. The Village/Town believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the Village/Town’s financial condition or results of operation.

20. SUBSEQUENT EVENTS

On July 17, 2017, the Village/Town authorized the issuance of \$3,220,000 in bond proceeds for the construction of additions, alterations and improvements to the Department of Public Works garage.

On September 18, 2017, the Village/Town authorized the issuance of \$10,250,000 in bond proceeds for the construction of additions, alterations and improvements to all Village/Town firehouses and sites thereof.

Management has evaluated subsequent events through December 14, 2017, which is the date the financial statements are available for issuance, and have determined, except as disclosed above regarding the bond authorizations, 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 Three Fiscal Years*

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

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

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

	Year Ended May 31,		
	2017	2016	2015
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%
<i>Governmental Activities:</i>			
Village/Town's proportion of the net pension liability	0.0149009%	0.0149704%	0.0151291%
Village/Town's proportionate share of the net pension liability	<u>\$ 1,400,126</u>	<u>\$ 2,402,791</u>	<u>\$ 511,097</u>
Village/Town's covered-employee payroll	\$ 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-employee payroll	34.3%	66.1%	14.1%
<i>Business-type Activities:</i>			
Village/Town's proportion of the net pension liability	0.0047056%	0.0047275%	0.0047776%
Village/Town's proportionate share of the net pension liability	<u>\$ 442,145</u>	<u>\$ 758,776</u>	<u>\$ 161,399</u>
Village/Town's covered-employee payroll	\$ 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-employee payroll	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 Three Fiscal Years*

	Year Ended May 31,		
	2017	2016	2015
<i>Governmental Activities:</i>			
Contractually required contribution	\$ 554,323	\$ 576,741	\$ 694,306
Contributions in relation to the contractually required contribution	<u>(554,323)</u>	<u>(576,741)</u>	<u>(694,306)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village/Town's covered-employee payroll	\$ 3,944,823	\$ 3,670,097	\$ 3,606,183
Contributions as a percentage of covered-employee payroll	14.1%	15.7%	19.3%
<i>Business-type Activities:</i>			
Contractually required contribution	\$ 175,050	\$ 182,129	\$ 219,255
Contributions in relation to the contractually required contribution	<u>(175,050)</u>	<u>(182,129)</u>	<u>(219,255)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village/Town's covered-employee payroll	\$ 1,245,733	\$ 1,158,978	\$ 1,138,794
Contributions as a percentage of covered-employee payroll	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 Funding Progress—Other Postemployment Benefits Plan
Year Ended May 31, 2017

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, 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%
June 1, 2011	-	27,315,219	27,315,219	-	6,423,028	425.27%

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, 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%
June 1, 2011	-	826,422	826,422	-	664,011	124.46%

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes and other tax items	\$ 15,026,125	\$ 14,935,109	\$ 16,597,433	\$ 1,662,324
Non-property taxes items	1,965,000	2,084,878	2,084,878	-
Departmental income	1,730,450	1,724,754	2,140,160	415,406
Intergovernmental charges	686,500	671,558	683,749	12,191
Use of money and property	379,698	381,698	417,926	36,228
Licenses and permits	94,000	121,620	147,639	26,019
Fines and forfeitures	448,000	439,170	639,908	200,738
Sale of property and compensation for loss	13,700	27,360	78,409	51,049
Miscellaneous	99,044	165,589	199,006	33,417
State aid	334,068	341,568	558,492	216,924
Federal aid	70,000	165,235	172,487	7,252
Total revenues	<u>20,846,585</u>	<u>21,058,539</u>	<u>23,720,087</u>	<u>2,661,548</u>
EXPENDITURES				
Current:				
General government support	1,931,671	1,887,956	1,702,963	184,993
Public safety	8,469,896	8,488,664	8,197,005	291,659
Health	376,504	511,041	454,698	56,343
Transportation	1,017,463	995,440	873,898	121,542
Economic assistance and opportunity	292,886	314,306	301,655	12,651
Culture and recreation	1,172,955	1,157,883	1,084,539	73,344
Home and community services	2,277,562	2,158,052	1,801,795	356,257
Employee benefits	<u>3,317,429</u>	<u>3,490,476</u>	<u>3,412,089</u>	<u>78,387</u>
Total expenditures	<u>18,856,366</u>	<u>19,003,818</u>	<u>17,828,642</u>	<u>1,175,176</u>
OTHER FINANCING USES				
Transfers out	<u>(2,174,006)</u>	<u>(3,265,567)</u>	<u>(3,275,381)</u>	<u>(9,814)</u>
Total other financing uses	<u>(2,174,006)</u>	<u>(3,265,567)</u>	<u>(3,275,381)</u>	<u>(9,814)</u>
Net change in fund balances*	(183,787)	(1,210,846)	2,616,064	3,826,910
Fund balances—beginning	<u>10,365,103</u>	<u>10,365,103</u>	<u>10,365,103</u>	<u>-</u>
Fund balances—ending	<u>\$ 10,181,316</u>	<u>\$ 9,154,257</u>	<u>\$ 12,981,167</u>	<u>\$ 3,826,910</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 note to the required supplementary information is an integral part of this schedule.

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Schedule of the Local Government's Funding Process—
Last Seven Fiscal Years—Fire Service Award Program

Actuarial Valuation Date (December 31,)	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
2016	\$ 3,137,588	\$ 4,960,105	\$ 1,822,517	63%
2015	2,819,065	3,068,287	249,222	92%
2014	2,653,410	2,973,864	320,454	89%
2013	2,397,186	2,811,943	414,757	85%
2012	2,000,801	2,658,878	658,077	75%
2011	1,623,386	2,251,333	627,947	72%
2010	1,422,015	2,098,652	676,637	68%

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Schedule of the Local Government's Contributions—
Last Seven Fiscal Years—Fire Service Award Program

Year Ended May 31,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2017	\$ 259,462	\$ 240,840	92.8%
2016	271,925	280,598	103.2%
2015	280,598	255,000	90.9%
2014	195,751	280,598	143.3%
2013	254,100	254,100	100.0%
2012	262,915	265,297	100.9%
2011	255,302	204,808	80.2%

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Schedule of the Local Government's Funding Progress—
Last Seven Fiscal Years—Ambulance Service Award Program

Actuarial Valuation Date (December 31,)	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
2016	\$ 311,224	\$ 249,908	\$ (61,316)	125%
2015	270,543	224,628	(45,915)	120%
2014	239,864	199,342	(40,522)	120%
2013	199,954	190,143	(9,811)	105%
2012	125,157	167,217	42,060	75%
2011	70,924	145,011	74,087	49%
2010	35,262	120,464	85,202	29%

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Schedule of the Local Government's Contributions—
Last Seven Fiscal Years—Ambulance Service Award Program

Year Ended May 31,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2017	\$ 24,088	\$ 39,758	165.1%
2016	39,758	39,758	100.0%
2015	38,859	38,859	100.0%
2014	54,817	60,000	109.5%
2013	58,799	58,799	100.0%
2012	54,025	54,025	100.0%
2011	45,479	45,479	100.0%

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Note to the Required Supplementary Information
Year Ended May 31, 2017

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 Section 8 Housing Fund or Special Purpose Fund. Appropriation limits, where applicable, for the Section 8 Housing Fund and 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.

Excess of Expenditures Over Appropriations—The Village/Town's General Fund expenditures for the year ended May 31, 2017 exceeded the final budgeted appropriations as follows:

- *Transfers Out*—The \$9,814 variance was due to increased local share for capital project spending.

SUPPLEMENTARY INFORMATION

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VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
May 31, 2017

	<u>Special Revenue</u>			Total Nonmajor Funds
	<u>Public Library</u>	<u>Section 8 Housing</u>	<u>Special Purpose</u>	
ASSETS				
Cash and cash equivalents	\$ 299,969	\$ -	\$ -	\$ 299,969
Restricted cash and cash equivalents	4,417	-	38,351	42,768
Due from other funds	60	-	-	60
Prepaid items	637	-	-	637
Total assets	<u>\$ 305,083</u>	<u>\$ -</u>	<u>\$ 38,351</u>	<u>\$ 343,434</u>
LIABILITIES				
Accounts payable	\$ 21,420	\$ -	\$ -	\$ 21,420
Accrued liabilities	53,771	-	-	53,771
Intergovernmental payables	12,056	-	-	12,056
Total liabilities	<u>87,247</u>	<u>-</u>	<u>-</u>	<u>87,247</u>
FUND BALANCES				
Nonspendable	637	-	-	637
Restricted	4,417	-	38,351	42,768
Assigned	212,782	-	-	212,782
Total fund balances	<u>217,836</u>	<u>-</u>	<u>38,351</u>	<u>256,187</u>
Total liabilities and fund balances	<u>\$ 305,083</u>	<u>\$ -</u>	<u>\$ 38,351</u>	<u>\$ 343,434</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, 2017

	<u>Special Revenue</u>			<u>Total Nonmajor Funds</u>
	<u>Public Library</u>	<u>Section 8 Housing</u>	<u>Special Purpose</u>	
REVENUES				
Departmental income	\$ 2,237	\$ -	\$ -	\$ 2,237
Use of money and property	5,970	-	-	5,970
Miscellaneous	19,042	-	5,755	24,797
State aid	3,679	-	-	3,679
Federal aid	-	840,571	-	840,571
Total revenues	<u>30,928</u>	<u>840,571</u>	<u>5,755</u>	<u>877,254</u>
EXPENDITURES				
Current:				
General government support	15,235	-	2,549	17,784
Economic assistance and opportunity	-	814,600	-	814,600
Culture and recreation	832,873	-	1,252	834,125
Home and community services	-	-	538	538
Employee benefits	255,589	-	-	255,589
Total expenditures	<u>1,103,697</u>	<u>814,600</u>	<u>4,339</u>	<u>1,922,636</u>
Excess (deficiency) of revenues over expenditures	<u>(1,072,769)</u>	<u>25,971</u>	<u>1,416</u>	<u>(1,045,382)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,794,014	21,144	-	1,815,158
Transfers out	<u>(681,526)</u>	<u>-</u>	<u>-</u>	<u>(681,526)</u>
Total other financing sources (uses)	<u>1,112,488</u>	<u>21,144</u>	<u>-</u>	<u>1,133,632</u>
Special item:				
Residual equity transfer	<u>-</u>	<u>(62,597)</u>	<u>-</u>	<u>(62,597)</u>
Net change in fund balances	39,719	(15,482)	1,416	25,653
Fund balances—beginning	<u>178,117</u>	<u>15,482</u>	<u>36,935</u>	<u>230,534</u>
Fund balances—ending	<u>\$ 217,836</u>	<u>\$ -</u>	<u>\$ 38,351</u>	<u>\$ 256,187</u>

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FEDERAL AWARDS INFORMATION

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2017

Federal Grantor/Pass-Through Grantor Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity's Identifying Number (1c)	Passed- Through to Subrecipients	Total Federal Expenditures (1d)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<i>Direct Program:</i>				
Section 8 Housing Choice Vouchers	14.871	n/a	\$ -	\$ 840,571
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>-</u>	<u>840,571</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<i>Passed through Westchester County, New York:</i>				
<i>Aging Cluster:</i>				
Special Programs for the Aging - Title III, Part B	93.044	n/a	-	5,171
Special Programs for the Aging - Title III, Part C	93.045	n/a	-	72,081
Total Aging Cluster			<u>-</u>	<u>77,252</u>
Drug-Free Communities Support Program Grants	93.276	n/a	-	95,235
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>-</u>	<u>172,487</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ -</u>	<u>\$ 1,013,058</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended May 31, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Village/Town of Mount Kisco, New York (the "Village/Town") under programs of federal government for the year ended May 31, 2017. The information in this Schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Village/Town, it is not intended to and does not present the financial position or changes in net position of the Village/Town. The following notes were identified on the Schedule:

- (a) Includes all federal award programs of the Village/Town of Mount Kisco, New York.
- (b) Source: Catalog of Federal Domestic Assistance.
- (c) Pass-through entity identifying numbers are presented where available.
- (d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Village/Town has not elected to use the 10 percent de minimus indirect cost rate, as allowed under the Uniform Guidance.

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, 2017, 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 December 14, 2017 (which report contains an emphasis of matter paragraph regarding the restatement of net position as of May 31, 2016).

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

 Duesch & Malchi LLP

December 14, 2017

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

The Village/Town's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village/Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

The Village/Town's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village/Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

 Duesch & Malach LLP

December 14, 2017

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended May 31, 2017

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued: Unmodified*
 *(which report includes an emphasis of matter paragraph regarding the restatement of net position)

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	___ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	___ Yes	___ <input checked="" type="checkbox"/> None reported
Noncompliance material to the financial statements noted?	___ Yes	___ <input checked="" type="checkbox"/> No

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified?	___ Yes	___ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	___ <input checked="" type="checkbox"/> Yes	___ None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ <input checked="" type="checkbox"/> Yes	___ No
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Identification of major Federal programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Section 8 Housing Choice Vouchers	14.871
Dollar threshold used to distinguish between Type A and Type B programs?	\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	___ Yes <input checked="" type="checkbox"/> No

Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2017-001—Section 8 Housing Choice Vouchers Program Oversight and Monitoring

Criteria: Effective internal control over financial reporting requires management oversight and monitoring to establish reasonable assurance that financial reporting is being reliably and accurately completed. Documentation of this oversight and monitoring is necessary to ensure that this criteria is being met. Per 24 CFR sections 982.158(d) and 982.405(b), the Public Housing Agency (“PHA”) must inspect the rental unit being leased at least annually to determine if Housing Quality Standards (“HQS”) are being met.

Condition and Context: Although the Village/Town outsourced the direct monitoring of rental units, the Village/Town was still responsible for reviewing and monitoring the third party to ensure Uniform Guidance guidelines, such as annual inspections, were being met.

Cause: The Village/Town did not monitor their selected program administrator for the Section 8 Housing Choice Vouchers Program.

Effect or Potential Effect: The Village/Town is not in compliance with Section 8 Housing Choice Vouchers Program Uniform Guidance requirements.

Recommendation: None. The Village/Town transferred the Section 8 Housing Choice Vouchers Program to the Mount Kisco Housing Authority, effective January 1, 2017.

Management’s Response: The Village/Town transferred the Section 8 Housing Choice Vouchers Program to the Mount Kisco Housing Authority, effective January 1, 2017, in order to satisfy recommendations from prior year audits. As such, the Village/Town is no longer subject to the compliance requirements of the program.

VILLAGE/TOWN OF MOUNT KISCO, NEW YORK
Summary Schedule of Prior Year Audit Findings and Corrective Action Plan
Year Ended May 31, 2017
(Follow-up of May 31, 2016 Findings)

2016-001—Management, Oversight and Monitoring

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

Condition and Context—The auditor found isolated (Significant Deficiency) instances as described in Finding 2016-002 of insufficient oversight and monitoring by management. Through interviews with management and related personnel we were able to satisfy ourselves that the necessary oversight and monitoring was performed with the exception of the certain isolated instances.

Effect or Potential Effect—The financial statements “could” have been significantly misstated without adequate documentation and performance of oversight functions. There are untimely submissions of reports as described in Findings 2016-002.

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

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

View of Responsible Officials and Corrective Action Plan—Management of the Village/Town will immediately comply. Please also refer to Finding 2016-002.

Current Status—See Finding 2017-001.

2016-002—Federal Reporting – Untimely Submission of Reports – US Department of Housing and Urban Development (HUD) Section 8 Housing Choice Voucher Program CFDA 14.871

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

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

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

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

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

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

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

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

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

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

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

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

Current Status—See Finding 2017-001.