VILLAGE OF CROTON-ON-HUDSON, NEW YORK

Report to Those Charged with Governance

May 31, 2021

January 7, 2022

Prepared by

Alan Kassay, CPA

Partner

akassay@pkfod.com

KNOW GREATER VALUE

January 7, 2022

The Board of Trustees and
Village Manager
Village of Croton-on-Hudson, New York
One Van Wyck Street
Croton-on-Hudson, New York 10520

We have audited the financial statements of Village of Croton-on-Hudson, New York as of and for the year ended May 31, 2021 and have issued our report thereon dated January 7 2022. Professional standards require us to communicate with you regarding audit matters that are, in our professional judgment, significant and relevant to those charged with governance ("TCWG") in overseeing the financial reporting process. This communication is intended to provide you with these required communications as well as other findings and information regarding our audit.

We are pleased to be of service to you and the Village of Croton-on-Hudson, New York and appreciate the opportunity to present our audit findings to you. We are also pleased to discuss other matters which may be of interest to you and to answer any questions you may have.

This information is intended solely for the information and use of TCWG and management of the Village of Croton-on-Hudson, New York and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

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Contents

Appendices

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Status of the Audit

Audit of Financial Statements

- Audit fieldwork is complete
- The financial statements have been drafted and reviewed by management.
- We have issued an unmodified report on the financial statements.

Required Communications and Other Matters

Required Item	Comments
Auditor's responsibility under professional standards and planned scope and timing of the audit	We have communicated such information in our engagement letter to you dated November 9, 2017. Generally, these responsibilities include: • Forming and expressing an opinion on the financial statements. • Obtaining reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud. • Accumulating and communicating uncorrected misstatements to Those Charged with Governance ("TCWG"). • Maintaining professional skepticism. • Communicating audit related matters that are, in our professional judgment, significant to TCWG.
Supplementary information accompanying the financial statements	Our responsibility for the supplementary information accompanying the financial statements is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. With respect to such supplementary information, we made certain inquiries of members of management and evaluated the form, content and methods of preparing the information to determine that the information complies with US GAAP, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Required Item	Comments
Other information in documents containing audited financial statements	Our responsibility as auditors for other information in documents containing the audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to determine that such other information is properly stated.
Our responsibilities under the Yellow Book	In connection with our audit we performed tests of the Entity's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.
Responsibilities of management and TCWG	Management's responsibilities include: • The fair presentation of the financial statements, including the selection of appropriate accounting policies. • Establishing and maintaining effective internal control. • Complying with laws, regulations, grants and contracts. • Providing the auditors with all financial records and related information and a signed representation letter. TCWG are responsible for communicating with the auditors and overseeing the financial reporting process. Both management and TCWG are responsible for: • Setting the proper tone at the top. • Designing and implementing policies and controls to prevent and detect fraud.
Qualitative aspects of accounting practices - *Accounting Policies*	The significant accounting policies are described in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the reporting period that had a significant impact on the financial statements, other than the adoption of the provisions of Governmental Accounting Standards Board Statement No. 84, "*Fiduciary Activities*". The accounting policies of the Entity conform to U.S. generally accepted accounting principles as applicable to state and local governments. The Entity's reports are based on all applicable GASB pronouncements.

Required Item	Comments
Qualitative aspects of accounting practices – *Significant Unusual Transactions*	No matters have come to our attention that would require us to inform you about the methods used to account for significant unusual transactions.
Qualitative aspects of accounting practices - *Accounting Estimates and Management's Judgment*	Accounting estimates made by management are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Actual results could differ from those estimates. Certain accounting estimates are particularly sensitive because of their significance to financial statements and their susceptibility to change. The most sensitive estimates affecting the financial statements are: • Actuarial assumptions related to the Other Post Employment Benefit Obligations ("OPEB") • Actuarial assumptions and proportionate share calculations related to pension obligations • Asset lives for depreciable capital assets • Estimates of certain receivable balances and allowances for uncollectible amounts • Estimates for certain operating and long-term liabilities Management believes that the estimates used and assumptions made are adequate based on the information currently available. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.
Qualitative aspects of accounting practices - *Financial Statement Disclosures*	Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements are: • Other post employment benefit obligations payable • Pension plan information • Outstanding bonded indebtedness • Fund balances The financial statement disclosures are consistent and clear.

Required Item	Comments
Difficulties encountered in performing the audit	We encountered no significant difficulties in dealing with management relating to the performance of our audit.
Corrected and uncorrected misstatements	Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, corrected misstatements that were brought to the attention of management as a result of our audit procedures are also included in Appendix 1.
Disagreements with management	For purposes of this communication, a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing, which could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of the audit.
Management representations	We have requested certain representations from management that are included in the management representation letter (see Appendix 2).
Management's consultations with other accountants	In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no such consultations with other accountants.
Auditor independence	We affirm that PKF O'Connor Davies, LLP is independent with respect to the Entity in accordance with relevant professional standards.
Significant issues discussed with management prior to retention	We generally discuss with management a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Entity and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed and our responses thereto were a condition to our retention as auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Croton-on-Hudson, New York (the “Entity”) internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control. Accordingly, we express no such opinion.

Professional standards require that we communicate to you, in writing, all significant deficiencies and/or material weaknesses in internal control that we identify in performing our audit. For this purpose, deficiencies in internal control are categorized as follows:

- 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis.

- A **significant deficiency** is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, we share for your consideration on the following pages other observations about the internal control and operations.

This communication is intended solely for the information and use of management and others charged with governance and is not intended to be and should not be used by anyone other than these specified parties. We will be pleased to discuss these communications and comments in further detail at your convenience, or to assist you in implementing the recommendations.

PKF O'Connor Davies, LLP
Harrison, New York
January 7, 2022

Village of Croton-on-Hudson, New York

Control Deficiencies

- **General Fund**

  Deposits Payable

  In the 2021 fiscal year the Village implemented GASB Statement No. 84 and moved all the deposit payable accounts to General Fund. During our review of these accounts, it came to our attention that the Village has twenty-four deposit accounts that had no activity during the current year.

  Recommendation

  We recommend that the Village research the origin of the current, and pre-existing balances in the deposit payable accounts and if the money is no longer payable a transfer should be made to the appropriate operating fund as revenue upon board approval.

  Schedule of Deposits

  During the field work the Village was unable to provide us a schedule of all open deposits as of year-end for the escrow subdivision deposits payable account which had a balance of $273,810.

  Recommendation

  We recommend the Village maintain a schedule of deposit accounts tracking the date of deposit, amount of deposit and name of the depositor.

- **Special Purpose Fund**

  Inactive Trusts

  During our audit it was noted that two out of the three trust accounts in the special purpose fund had no activity for the year.

  Recommendation

  We recommend that the Village determine if these trusts need to remain open, or if they should be closed and monies transferred to the General Fund.

- **Cash**

  Outstanding Checks Greater Than A Year Old

  Per review of the General Fund Checking account, we noted there was $32,221.14 of outstanding checks that were greater than one year old on bank reconciliations for the A.200 account. Per review of the Agency Payroll Account, we noted there was $1,405.71 of outstanding checks that were greater than one year old on bank reconciliations for the T.201 account.

Village of Croton-on-Hudson, New York

<u>**Control Deficiencies**</u>

- **Cash** *(Continued)*

  Outstanding Checks Greater Than A Year Old (Continued)

  Recommendation

  We recommend the Village research the nature of the outstanding checks and if they meet the definition of unclaimed property under the New York State Abandoned Property Law, perform the due diligence required under the law.

  Book Balance

  Per review of the General Fund Checking account we noted the book balance did not agree to the amount recorded on the trial balance by $400. Per review of the Agency Fund Payroll account we noted the book balance did not agree to the amount recorded on the trial balance by $700.

  Recommendation

  We recommend the Village review all bank reconciliations for accuracy and correct all differences.

- **Payroll Management Comment**

  Segregation of Duties

  Per the client-provided User Access Report, the Deputy Treasurer, who processes the Village's payroll, is a system superuser with no restrictions and has access to add and modify employees. A walkthrough was performed with her, to which this access was confirmed.

  Recommendation

  We recommend for employees in charge of processing payroll should not be able to add or modify employees. An employee separate from payroll processing function should have this access instead.

  No Payroll Change Report

  Although for each payroll the Deputy Treasurer writes on loose-leaf the changes made to payroll, there is no Payroll Change Report automatically generated along with each payroll. Only the Deputy Treasurer uses this, and someone independent of payroll function does not review it.

Village of Croton-on-Hudson, New York

Control Deficiencies

- **Payroll Management Comment** *(Continued)*

  No Payroll Change Report (Continued)

  Recommendation

  We recommend utilizing a system-generated payroll change report each time payroll is processed to be aware of any employee additions or salary modifications. The payroll change report should also be reviewed by an individual independent of the payroll function.

- **Journal Entries**

  During testing of the journal entry cycle, the auditor noted there was no independent approval of the journal entries. Per the client's narrative, only those entries posted by the Deputy Treasurer and Accounts Payable Clerk are reviewed by the Treasurer. However, there is no proof of review indicated. The Treasurer's own entries are not being reviewed. Review of journal entries is an internal control which allows for increased accuracy and mitigates the risk of fraud.

  Recommendation

  We suggest the Village adopt a formal approval policy for journal entries so that every entry has independent review.

On the Horizon

GASB Statement No. 87 – *Leases*

Potentially pervasive changes are coming to lease accounting. Under the provisions of GASB Statement No. 87, nearly every lease will be considered a capital lease. While local governments and school districts would most likely be lessees in these kinds of transactions, some might also be involved in transactions where they are the lessor of these assets.

Under this standard, lessees will now be required to recognize in their entity-wide Statement of Net Position a lease liability and an intangible right-to-use lease asset when the lease begins. The intangible asset will be similar to other capital assets by requiring amortization over the life of the lease term, similar to depreciation of tangible capital assets. Also similar to other capital assets, leases will need to be assessed for impairment.

Lessors will do the opposite. Lessors will recognize a lease receivable and a deferred inflow of resources at the start of a lease. The receivable will be reduced and revenue recognized as lease payments are received each year. The lessor will continue to report the capital asset on its own Statement of Net Position.

Governments should review this standard early to anticipate what changes might need to be made to policies, accounting procedures, laws and regulations. **GASB Statement No. 95 postponed by eighteen months the effective date of this statement. Accordingly, the provisions of this Statement are effective for fiscal years beginning after June 15, 2021 (i.e., the Village's financial statements for the year ended May 31, 2023) with earlier application encouraged.**

Appendix 1

Corrected and Uncorrected Misstatements

Account	Description	Debit	Credit
General Fund			
Adjusting Journal Entries JE # 2			
To reclass designation for subsequent year's, prepaid expenditures, comp abs, and advances			
A .00.0000.000.889	MISC RESERVE(PREPAIDS)	4,602.00	
A .00.0000.000.909	FUND BALANCE	1,210,588.00	
A .00.0000.000.867	RESERVE FOR COMPENSATED ABSENC	128,810.00	
A .00.0000.000.910	FUND BALANCE UNRESERVED		1,344,000.00
Total		**1,344,000.00**	**1,344,000.00**
Adjusting Journal Entries JE # 3			
To adjust ERS/PFRS Accruals			
A .90.9010.000.8000	NYS ERS-UNDISTRIBUTED	32,471.00	
A .90.9015.000.8000	NYS PRS-UNDISTRIBUTED	41,518.00	
A .00.0000.000.601	ACCRUED LIABILITIES		73,989.00
Total		**73,989.00**	**73,989.00**
Adjusting Journal Entries JE # 4			
To adjust Real Property Taxes per allow/deferred calculation			
A .00.0000.000.342	ALLOWANCE FOR UNCOLLECTABLES	180,908.00	
A .00.0000.000.694	DEFERRED TAX REVENUE		69,153.00
A .00.1000.000.1001	REAL PROPERTY TAX		111,755.00
Total		**180,908.00**	**180,908.00**
Capital Fund			
Adjusting Journal Entries JE # 1			
To accrue Paladino Concrete Creations 2/27/21-5/31/21			
H .80.8020.000.2107 .10214	TEP GRANT-BICYCLE PED IMPROVEM	158,217.00	
H .00.0000.000.600	ACCOUNTS PAYABLE		158,217.00
Total		**158,217.00**	**158,217.00**
Adjusting Journal Entries JE # 5			
To accrue NYS CHIPS reimbursement per subsequent receipts test			
H .00.0000.000.410	DUE FROM STATE & FEDERAL	250,000.00	
H1000.000.3597.19355	STATE AID CHIPS ENGIN DESIGN		250,000.00
Total		**250,000.00**	**250,000.00**

Debt Service Fund

Adjusting Journal Entries JE # 1			
To adjust designated for subsequent years fund balance based on 2021-22 adopted budget			
V .00.0000.000.909	FUND BALANCE	30,000.00	
V .00.0000.000.910	FUND BALANCE UNRESERVED		30,000.00
Total		**30,000.00**	**30,000.00**

Pension Trust Fund

Adjusting Journal Entries JE # 1			
To Book Fire Service Activity			
1000 01	Expenditure / Pension Benefits	97,102.00	
380	Asset / Accounts Receivable	3,500.00	
450	Asset / Invesment/US Equities	368,966.00	
451	Asset / Investment /Fixed Inc Mutfnd	683,374.00	
452	Asset/ Invesment/Internat.Equit	165,565.00	
462	Asset /Service Awards Programs	245,368.00	
000 01	Revenue/ Contributions		114,879.00
000 02	Revenue / Earnings on Investments		20,497.00
2000 00	Unrealized Gain or Loss		88,152.00
909	Equity / Fund Balance		1,340,347.00
453	Asset/ Investment/Mixed Assets		
Total		**1,563,875.00**	**1,563,875.00**

Appendix 2

Management Representation Letter

Village of Croton-on-Hudson New York
Stanley H. Kellerhouse Municipal Building
One Van Wyck Street
Croton-on-Hudson, NY 10520-2501

January 7, 2022

PKF O'Connor Davies, LLP
500 Mamaroneck Avenue Suite 301
Harrison, New York 10528

This representation letter is provided in connection with your audit of the basic financial statements of the Village of Croton-on-Hudson, New York ("Village"), which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of May 31, 2021, and the respective changes in financial position for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, (having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves) as of the date of this letter, the following representations made to you during your audit.

Our Responsibilities

1) We acknowledge that we have fulfilled our responsibilities as set forth in the terms of the engagement letter dated November 9, 2017 for:
   a) The preparation and fair presentation of the financial statements in accordance with US GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity. The combining and individual fund financial statements have been prepared and presented in conformity with the accounting principles used to prepare the basic financial statements.
   b) 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; and
   c) The design, implementation, and maintenance of internal control to prevent and detect fraud.

2) We understand that the term “fraud” refers to intentional acts by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements. Two types of intentional misstatements are relevant to your audit – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Fraudulent financial reporting involves intentional misstatements, including omissions of amounts or disclosures in financial statements to deceive financial statement users. Misappropriation of assets involves the theft of an entity’s assets.

3) In regard to the financial statement services performed by you, we have:

    a) Assumed all management responsibilities.
    b) Designated individuals within senior management, who have suitable skill, knowledge, or experience to oversee the services.
    c) Evaluated the adequacy and results of the services performed.
    d) Accepted responsibility for the result of the services.

4) We are further responsible for reviewing, accepting and processing the standard, adjusting, or correcting journal entries that you proposed during the course of your engagement. We confirm that we designated a suitably qualified individual who understands the nature and impact of the proposed entries to the financial statements, and we accept responsibility for the proposed entries that we authorized and processed.

5) We acknowledge our responsibility for presenting the combining and individual fund financial statements in accordance with US GAAP, and we believe the combining and individual fund financial statements and schedules, including its form and content, is fairly presented in accordance with US GAAP. The methods of measurement and presentation of the combining and individual fund financial statements and schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Financial Statements

6) The financial statements referred to above are fairly presented in conformity with US GAAP and include all disclosures necessary for such fair presentation. In that connection, we specifically confirm that:
    a) The Village’s accounting policies, and the practices and methods followed in applying them, are appropriate and are as disclosed in the financial statements.
    b) There have been no changes during the period audited in the Village’s accounting policies and practices.
    c) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

7) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

8) The following, where they exist, have been appropriately disclosed to you and accounted for and/or disclosed in the financial statements in accordance with the requirements of US GAAP:
    a) The identity of all related parties and related party relationships and transactions including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

b) Guarantees, whether written or oral, under which the Village is contingently liable, if any.
c) The effects of all known actual or possible litigation, claims, and assessments that should be considered when preparing the financial statements.

9) We have evaluated events subsequent to the date of the financial statements through the date of this letter, and no such events have occurred which would require adjustment or disclosure in the financial statements. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

10) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Village's accounts.

Information Provided

11) We have provided you with:
   a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
   b) Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, if applicable.
   c) Additional information that you have requested from us for the purpose of the audit.
   d) Unrestricted access to persons within the Village from whom you determined it necessary to obtain audit evidence.
   e) Completeness and availability of all minutes of the meetings of the Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
   f) All significant contracts and agreements.

12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. Based on our assessment, we did not identify any fraud risks that we believe would result in a material misstatement of the financial statements.

13) There are no deficiencies in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the Village's ability to initiate, authorize, record, process, and report financial data reliably in accordance with US GAAP.

14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
   a) Management,
   b) Employees who have significant roles in internal control, or
   c) Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Village's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.

Hosting Services

17) We acknowledge that electronic portals used during the audit are only a method of transferring data and the data may be deleted by you at any time.

18) We are responsible for maintaining our financial and non-financial information, licensing and hosting of any applications, and downloading and retaining anything you uploaded to such portal in a timely manner.

Government—specific

19) We have a process to track the status of audit findings and recommendations.

20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

21) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

22) The Village has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balance or net position.

23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

25) We have identified and disclosed to you all instances, that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

26) There are no violations or possible violations of budget ordinances/resolutions, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

27) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably with senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services We have reviewed, approved, and accepted responsibility for those financial statements and disclosures. We also understand that as part of your audit, you prepared various adjusting journal entries, both on the fund and entity-wide level, and

acknowledge that we have reviewed and approved those entries and accepted responsibility for them.

28) The Village has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

29) The Village has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

30) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

31) The financial statements include all fiduciary activities required by GASB Statement No. 84.

32) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34, as amended, and GASB Statement No. 84.

33) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

34) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

35) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.

36) Provisions for uncollectible receivables have been properly identified and recorded.

37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

38) We agree with the findings of specialists in evaluating the other postemployment benefit obligation and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

39) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.

40) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

41) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

42) Deposits and investment securities are properly classified as to risk and are properly disclosed and valued.

43) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

44) Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.

45) We have appropriately disclosed the Village's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

46) We are following GASB Statement No. 54, paragraph 18, to determine the fund balance classifications for financial reporting purposes.

47) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

48) Tax abatement agreements if applicable, have been properly disclosed in the notes to the financial statements, including the names of all governments involved, the gross amount and specific taxes abated, and additional commitments.

49) Expenditures of federal awards were below the $750,000 threshold for the year ended May 31, 2021, and we were not required to have an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance").

Signature: [signature] Signature: Daniel Tucker

Title: Village Manager Title: Village Treasurer

Appendix 3

About PKF O’Connor Davies, LLP

FIRM OVERVIEW

Founded in 1891, PKF O'Connor Davies has evolved from an accounting firm to a corps of high-caliber professionals that delivers to a global and growing client base a complete range of audit, tax and advisory services as well as insights and expertise at the highest level. As our business has grown, our commitment to active value creation has allowed us to connect our clients to sound business advice, key players and resources across diverse industries.

An Acknowledged Global Leader

Not only are we one of the nation's most rapidly growing accounting and advisory firms, we are also the lead North American firm in the growing PKF global network of independent accounting and advisory firms. This enables us to provide clients with preferred access to top-tier experts and firms in over 400 locations, in 150 countries around the world. It also establishes us as the primary referral point for international businesses with needs in North America, an advantage for our domestic clients seeking connections outside the U.S.

Active Partner Involvement Dedicated Engagement Teams

We have built strong relationships with our clients by being proactive, thorough and efficient. Firm partners are involved in the day-to-day management of engagements, ensuring a high degree of client service and cost effectiveness. Multi-disciplinary teams ensure solutions are customized to address specific needs and integrated for greater efficiency.

A Higher Standard: Beyond Passive Value Calculation to Active Value Creation

Our focus on value has driven our growth, propelling PKF O'Connor Davies to the Top 27 on *Accounting Today*'s 2021 "Top 100 Firms" list and gaining us acclaim as one of the country's fastest-growing firms. With unmatched client focus, we unlock genuine value hidden at key connection points in every engagement within regional, national and international arenas. Through these connections, our team of specialists continually drives efficiencies, uncovers opportunities and manages risk – delivering value where others can't.

Industry Recognition

- **Ranked 27 of "2021's Top 100 Firms"**
  – Accounting Today, 2021
- **Ranked 7 of the "Top Firms in the Mid-Atlantic"**
  – Accounting Today, 2021
- **"America's Best Tax Firms"**
  – Forbes, 2021
- **Ranked 10 of "New Jersey's Top Accounting Firms"**
  – NJBIZ, 2019
- **"Best Family Office – New Innovations"**
  – Private Asset Management Awards, 2021
- **"Best Accountancy Advisor"**
  – Family Wealth Report Awards, 2021
- **"Best Family Office Management Consultancy"**
  – Family Wealth Report Awards, 2021
- **"Best Accounting Firms to Work For"**
  – Accounting Today, 2021
- **"Best Places to Work in New Jersey"**
  – NJBIZ, 2021
- **Ranked #2 "Best Accounting Internship"**
  – Vault, 2021
- **Ranked 13 of the 50 "Best Accounting Employers to Work for in North America"**
  – Vault, 2021

KNOW GREATER VALUE®

Agility, Responsiveness and Recognition

Since our founding, PKF O'Connor Davies has maintained its commitment to gaining a deep understanding of each client's operations and financial history in order to help meet their every challenge and objective. We fulfill this mission by providing resources that match those of larger firms in scope – but with the agility only a mid-sized firm such as ours can demonstrate…and yet, we still rank among them. Our services include:

Accounting and Assurance Services

- Accounting Outsourcing
- Agreed-Upon Procedures (AUPs)
- Audits, Reviews and Compilations
- Elite Accounting Services
- Employee Benefit Plans
- Endowment Fund Accounting
- International Financial Reporting Standards (IFRS)
- IT Audit & Cybersecurity Reviews
- Public Company Accounting Oversight Board (PCAOB)
- Public Sector Audits & Compliance

International Services

- China Desk
- General Data Protection Regulation (GDPR)
- German Desk
- Transfer Pricing

Investment Banking Services

- Acquisition Advisory
- Exit Readiness and Transaction Planning
- Sell-Side Advisory

Tax Compliance and Planning Services

- Employee Benefit Planning & Tax Compliance
- International Tax Services
- IRS Representation & Tax Controversies
- Personal Financial Planning
- Private Foundation Services
- State and Local Tax (SALT)
- Tax Compliance & Reporting
- Tax Research and Strategic Planning
- Tax-Exempt Organizations
- Trust and Estate Planning

Advisory Services

- Bankruptcy & Restructuring
- Cybersecurity & Privacy Advisory Services
- Dark Web Monitoring Services
- Digital Forensic Services
- Family Advisory Services
- Forensic, Litigation and Valuation Services
- Matrimonial Services
- Management Advisory Services
- PPP Loan Forgiveness Services
- Risk Advisory Services
- Specialty Industry Advisory Services
  - Business Solutions
  - Employee Benefit Plan Services
  - Healthcare Advisory Services
  - Hospitality Advisory Services
  - Medical and Dental Advisory Services
  - Public Sector Advisory Services
- Transaction & Financial Advisory Services
- Virtual Chief Information Security Officer Services
- Wealth Services

Family Office Services

- Accounting & Reporting
- Advisory
- Charitable Giving
- Family Advisory Services
- Investment Monitoring & Oversight
- Lifestyle Support
- Personal Financial Management
- Tax Planning
- Wealth Planning

Bethesda, MD | Cranford, NJ | Harrison, NY | Hauppauge, NY | Livingston, NJ | New York, NY | Newburgh, NY (Two Locations) | Palm Beach Gardens, FL | Providence, RI | Shelton, CT | Stamford, CT | Wethersfield, CT | Woodcliff Lake, NJ

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