

VILLAGE OF PORT CHESTER
INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
VILLAGE OF PORT CHESTER, NEW YORK)
Basic Financial Statements, Required Supplementary
Information and Supplementary Information for the
Years Ended May 31, 2014 and 2013 and
Independent Auditors' Reports

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE VILLAGE OF PORT CHESTER, NEW YORK)
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Years Ended May 31, 2014 and 2013

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of Village of Port Chester
Industrial Development Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of the Village of Port Chester Industrial Development Agency (the "Agency"), a component unit of the Village of Port Chester, New York, as of and for the years ended May 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Agency'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 an opinion on these financial statements based on our audits. We conducted our audits 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 financial position of the Agency as of May 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Schedule of Agency Investments and the Real Property Listing, as required under New York State Public Authority Law, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Agency Investments and the Real Property Listing 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 Schedule of Agency Investments and the Real Property Listing 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 August 25, 2014 on our consideration of the Agency'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 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 Agency's internal control over financial reporting and compliance.



August 25, 2014

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE VILLAGE OF PORT CHESTER, NEW YORK)
Management's Discussion and Analysis
For the Years Ended May 31, 2014 and 2013

As management of the Village of Port Chester Industrial Development Agency (the "Agency") we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the years ended May 31, 2014 and 2013. This narrative should be read in conjunction with the Agency's financial statements which follow this section.

Financial Highlights

- ◆ The assets of the Agency exceed its liabilities (*net position*) at May 31, 2014 and 2013 by \$312,930 and \$284,856, respectively. These amounts are considered *unrestricted net position* and may be used to fund the Agency's ongoing operations.
- ◆ The Agency's total net position increased by \$28,074 and decreased by \$37,426 for the fiscal years ended May 31, 2014 and 2013, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise of two components: the Agency's financial statements and notes to those financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Required financial statements. The financial statements are prepared using the accrual basis of accounting. The financial statements include:

The *statements of net position* present information on all of the Agency's assets, liabilities, and deferred outflows/inflows of resources, with the differences 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 Agency is improving or deteriorating.

The *statements of activities* present information showing how the Agency's net position changed during the most recent fiscal years. 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*.

The *statements of cash flows* present the cash provided and used during the fiscal years ended May 31, 2014 and 2013 and how it affects the cash balances at May 31, 2014 and 2013.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

The Agency provides administrative assistance to companies within the Village of Port Chester and has limited operations. The Agency does not have any long-term debt or full time employees. The Agency's net position over time may serve as a useful indicator of financial position. In the case of the Agency, assets exceeded liabilities by \$312,930 and \$284,856 at May 31, 2014 and 2013, respectively.

A condensed version of the Agency's statements of net position follows:

	May 31,		
	2014	2013	2012
Assets:			
Current assets	<u>\$ 318,360</u>	<u>\$ 286,658</u>	<u>\$ 331,400</u>
Liabilities:			
Current liabilities	<u>5,430</u>	<u>1,802</u>	<u>9,118</u>
Net Position:			
Unrestricted	<u>\$ 312,930</u>	<u>\$ 284,856</u>	<u>\$ 322,282</u>

The agency's current assets are comprised entirely of cash and cash equivalents. These assets have increased in 2014 over the previous year as a result of operating activities.

The Agency's net position was entirely derived as a result of operating activities and there are no restrictions as to its use.

The Agency's revenue and expense activity produced the increase in net position of \$28,074 and decrease in net position of \$37,426 for the fiscal years ended May 31, 2014 and 2013, respectively. A condensed version of the statements of activities follows:

	Year Ended May 31,		
	2014	2013	2012
Operating revenues	\$ 57,063	\$ -	\$ 273,774
Operating expenses	<u>29,463</u>	<u>37,964</u>	<u>189,066</u>
Operating income (loss)	27,600	(37,964)	84,708
Nonoperating revenue	<u>474</u>	<u>538</u>	<u>303</u>
Change in net position	28,074	(37,426)	85,011
Net position—beginning	<u>284,856</u>	<u>322,282</u>	<u>237,271</u>
Net position—ending	<u>\$ 312,930</u>	<u>\$ 284,856</u>	<u>\$ 322,282</u>

Operating revenues are derived from the application and closing of transactions that assist businesses within the Village of Port Chester. This assistance can take the form of lease transactions, assistance with bond issuances or sales tax exemptions (which generally allow businesses to expand). During the year ended May 31, 2014 the Agency collected \$57,063 in application and closing fees, comparatively during the year ended May 31, 2013 the Agency reported no operating revenues.

Operating expenses consist of closing costs as well as the cost of administration and consultants, who assist in locating, communicating and matching business needs to Agency programs of assistance.

Significant changes in revenues and expenses from 2013 to 2014 include:

- ◆ The Agency collected \$57,063 of application and closing fees during the year ended May 31, 2014; whereas, there was no such activity during the prior year.
- ◆ Operating expenses decreased by \$8,501 in total, which was primarily caused by the decrease in professional service expenses related to administrative and legal services.

Another important factor in the consideration of the fiscal condition is the Agency’s cash position and annual cash flows. A condensed version of the Agency’s statements of cash flows follows:

	Year Ended May 31,		
	2014	2013	2012
Cash flows provided by (used for):			
Operating activities	\$ 31,337	\$ (42,389)	\$ 57,710
Investing activities	<u>474</u>	<u>538</u>	<u>303</u>
Net increase (decrease) in cash and cash equivalents	31,811	(41,851)	58,013
Cash and cash equivalents—beginning	<u>277,549</u>	<u>319,400</u>	<u>261,387</u>
Cash and cash equivalents—ending	<u>\$ 309,360</u>	<u>\$ 277,549</u>	<u>\$ 319,400</u>

The change in cash and cash equivalents in each year is reflective of the results of operations for each of the years presented.

Capital Assets and Debt Administration

The Agency has not acquired any capital assets nor issued any debt instruments during the fiscal years ended May 31, 2014 and 2013.

Economic Factors

The Agency’s basic purpose is to assist business growth and expansion in the Village of Port Chester, New York. The Agency does not rely on any form of taxpayer or other public support. The business and economic climate in the Village have been relatively steady over the past two years.

Requests for Information

This financial report is designed to provide a general overview of the Agency’s finances for interested individuals. Questions concerning any information in this report or requests for additional information should be directed to the Village of Port Chester Industrial Development Agency, Treasurer, 222 Grace Church Street, Port Chester, New York 10573.

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE VILLAGE OF PORT CHESTER, NEW YORK)
Statements of Net Position
May 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 309,360	\$ 277,549
Receivables	3,000	109
Prepaid items	<u>6,000</u>	<u>9,000</u>
Total assets	<u>318,360</u>	<u>286,658</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	<u>5,430</u>	<u>1,802</u>
Total liabilities	<u>5,430</u>	<u>1,802</u>
 NET POSITION		
Unrestricted	<u>\$ 312,930</u>	<u>\$ 284,856</u>

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

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE VILLAGE OF PORT CHESTER, NEW YORK)
Statements of Activities
Years Ended May 31, 2014 and 2013

	2014	2013
Operating revenues:		
Administrative, application and other fees	\$ 3,500	\$ -
Closing fees	53,563	-
Total operating revenues	57,063	-
Operating expenses:		
Administrative salaries	6,750	6,000
Professional services	13,113	22,773
Insurance	4,046	3,800
Secretarial	1,700	1,400
Membership fees	750	750
Rent	3,000	3,000
Postage and supplies	104	241
Total operating expenses	29,463	37,964
Operating income (loss)	27,600	(37,964)
Nonoperating revenue:		
Interest earnings	474	538
Change in net position	28,074	(37,426)
Net position—beginning	284,856	322,282
Net position—ending	\$ 312,930	\$ 284,856

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

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE VILLAGE OF PORT CHESTER, NEW YORK)
Statements of Cash Flows
Years Ended May 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for services provided	\$ 57,063	\$ -
Payments made for operating costs	<u>(25,726)</u>	<u>(42,389)</u>
Net cash provided by (used for) operating activities	<u>31,337</u>	<u>(42,389)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	<u>474</u>	<u>538</u>
Net cash provided by investing activities	<u>474</u>	<u>538</u>
Net increase (decrease) in cash and cash equivalents	31,811	(41,851)
Cash and cash equivalents—beginning	<u>277,549</u>	<u>319,400</u>
Cash and cash equivalents—ending	<u><u>\$ 309,360</u></u>	<u><u>\$ 277,549</u></u>
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	<u>\$ 27,600</u>	<u>\$ (37,964)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
(Increase) in receivables	(2,891)	(109)
Decrease in prepaid items	3,000	3,000
Increase (decrease) in accounts payable	<u>3,628</u>	<u>(7,316)</u>
Total adjustments	<u>3,737</u>	<u>(4,425)</u>
Net cash provided by (used for) operating activities	<u><u>\$ 31,337</u></u>	<u><u>\$ (42,389)</u></u>

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

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE VILLAGE OF PORT CHESTER, NEW YORK)

Notes to the Financial Statements
Years Ended May 31, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Port Chester Industrial Development Agency (the “Agency”), a component unit of the Village of Port Chester, New York, was created by the New York State Legislature under the provisions of Chapter 632 of the Laws of New York State. The Agency was established for the purpose of encouraging economic growth in the Village of Port Chester, New York (the “Village”). Members of the governing board of the Agency are appointed by the Village Board. The Agency is exempt from Federal, State and local income taxes.

Reporting Entity

The Agency has been identified as a component unit of the Village. In accordance with the Governmental Accounting Standards Board (“GASB”), the Agency’s financial statements have been discretely presented in the Village’s financial statements.

Basis of Presentation

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America. Significant accounting policies are listed below.

Basis of Accounting

The accounts of the Agency are maintained on the accrual basis of accounting.

Industrial Development Revenue Bond and Note Transactions—Certain industrial development agency revenue bonds and notes issued are secured by property which is leased to companies and the bonds are retired by lease payments. The bonds and notes are not obligations of the Agency, the Village or the State of New York. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders. Funds arising there from are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. The fee received by the Agency ranges from a quarter of a percent up to two percent of the borrowing. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

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

Cash, Cash Equivalents and Investments—Cash, cash equivalents and investments consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have a maturity date within 90 days or less from the date of acquisition. The Agency had no investments at May 31, 2014; however, when the Agency does have investments they are recorded at fair value based on quoted market value.

Prepaid items—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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. The Agency does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a futures period and so will not be recognized as an inflow of resources (revenue) until that time. The Agency does not have any items that qualify for reporting in this category.

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

Other

Estimates—The preparation of 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 and expenses during the reporting period and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement—During the year ended May 31, 2014, the Agency implemented GASB Statements No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, and No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. GASB Statement No. 61 clarifies the manner in determining whether or not an organization should be included as a component unit, and GASB Statement No. 66 improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statements No. 61 and No. 66 did not have a material impact on the Agency's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Agency has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*; No. 69, *Government Combinations and Disposals of Government Operations*, and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the fiscal year ending May 31, 2015; and No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68*, effective for the fiscal year ending May 31, 2016. The Agency is, therefore, unable to disclose the impact that adopting GASB Statements Nos. 67, 68, 69, 70 and 71 will have on its financial position and results of operations when such statements are adopted.

2. CASH AND CASH EQUIVALENTS

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Agency has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

The Agency's cash and cash equivalents at May 31, 2014 and 2013 are carried at fair value as follows:

	May 31, 2014		May 31, 2013	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured (FDIC)	\$ 309,360	\$ 309,360	\$ 277,549	\$ 277,549

Custodial Credit Risk—Custodial credit risk is the risk that in the event of a bank failure, the Agency'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, 2014 and 2013, the Agency's deposits were fully FDIC insured.

3. RECEIVABLES

Receivables—Receivables at May 31, 2014 and 2013 are as follows:

	2014	2013
Accounts receivable	\$ 3,000	\$ 109

4. RELATED PARTY TRANSACTIONS

The Village of Port Chester is considered a related entity since the Mayor also serves as of Member of the Agency, a Board of Trustees Member also serves as the Vice-Chairman of the Agency, the Assistant to the Village Manager also serves as the Secretary of the Agency and the Village Treasurer also serves as the Treasurer of the Agency.

The Village of Port Chester provides the Agency with administrative services. The cost of these services has been included as expenses on the Agency's statement of activities. During the years ended May 31, 2014 and 2013, the Agency independently contracted with the Village Treasurer to perform administrative services at a cost of \$6,000 annually. During the year ended May 31, 2014, the Agency independently contracted with the Village Manager to perform administrative services at a cost of \$750.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 25, 2014, which is the date the financial statements are available for issuance, and has determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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SUPPLEMENTARY INFORMATION

Presented as supplementary information is certain information as required to be reported under New York State Public Authority Law.

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE VILLAGE OF PORT CHESTER, NEW YORK)
Schedule of Agency Investments
Year Ended May 31, 2014

Annual Investment Report—§2925(6) of Public Authorities Law of the State of New York requires that each public authority must annually prepare an investment report which shall include (a) investment guidelines, (b) amendments to such guidelines since the last investment report, (c) an explanation of the investment guidelines and amendments, (d) results of the annual independent audit, (e) the investment income record of the Agency, and (f) a list of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Agency since the last investment report.

- a. Investment guidelines—The Agency’s investment policies are governed by State statutes. In addition, the Agency has its own written investment policy which was adopted by the Board of Directors.
- b. Amendments to guidelines—None.
- c. Explanation of guidelines and investments—These guidelines restrict investment of Agency funds to money market accounts and certificates of deposit. The Agency has not made any amendments to its investment policy.
- d. Results of the annual independent audit—The independent auditors have issued an unmodified opinion on the Agency’s financial statements for the year ended May 31, 2014.
- e. Investment income record—Investment income for the year ended May 31, 2014 consisted of:

	Interest Earned
Interest earned on cash and cash equivalents	<u>\$ 474</u>

- f. List of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Agency since the last investment report—No such fees or commissions were paid during the year ended May 31, 2014.

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE VILLAGE OF PORT CHESTER, NEW YORK)
Real Property Listing
Year Ended May 31, 2014

1. **Real Property List**—§2896(3) of Public Authorities Law of the State of New York requires that each public authority must publish, at least annually, a report listing all real property of the authority. At May 31, 2014, the Agency reported no real property.
2. **Real Property Acquisitions**—There were no real property acquisitions during the year ended May 31, 2014.
3. **Real Property Dispositions**—There were no real property dispositions during the year ended May 31, 2014.

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***

To the Members of Village of Port Chester
Industrial Development Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Village of Port Chester Industrial Development Agency (the "Agency"), a component unit of the Village of Port Chester, New York, as of and for the years ended May 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated August 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 Agency'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.

Drescher & Maleski LLP

August 25, 2014