

VILLAGE OF PORT CHESTER
INDUSTRIAL DEVELOPMENT AGENCY

*(A Component Unit of the
Village of Port Chester, New York)
Basic Financial Statements, Required Supplementary
Information, Supplementary Information, and
Other Information for the Years Ended May 31, 2018
and 2017 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, 2018 and 2017

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VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE VILLAGE OF PORT CHESTER, NEW YORK)
Members
May 31, 2018

Name	Position	Term Began
Frank Ferrara	Chairman	December 2012
Richard D. Cuddy	Vice Chairman	August 2010
Daniel Brakewood	Financial Officer/Treasurer	April 2015
John Hiensch	Secretary	February 1998
Michael Brescio	Member	October 2015
Richard O'Connell	Member	June 2017
James T. Taylor, II	Member	October 2007

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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, 2018 and 2017, 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 audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of May 31, 2018 and 2017, and the respective changes in its financial position and its cash flows thereof 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, 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 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The Schedule of Agency Investments, Schedule of Issuances and Outstanding Balances, Schedule of Payments in Lieu of Taxes, and Real Property Listing are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Agency Investments is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Agency Investments is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Issuances and Outstanding Balances, Schedule of Payments in Lieu of Taxes, and Real Property Listing have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2018 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 8, 2018

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the Village of Port Chester, New York)
Management's Discussion and Analysis
Years Ended May 31, 2018 and 2017

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, 2018 and 2017. This document should be read in conjunction with additional information we have furnished in the Agency's financial statements which follow this narrative.

Financial Highlights

- The assets of the Agency exceed its liabilities at May 31, 2018 and 2017 by \$278,345 and \$251,246, 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 \$27,099 and decreased by \$107,856 for the fiscal years ended May 31, 2018 and 2017, 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 information in addition to the basic financial statements themselves.

Basic 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, 2018 and 2017 and how it affects the cash balances at May 31, 2018 and 2017.

The financial statements can be found on pages 8-10 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 financial statements. The notes to the financial statements can be found on pages 11-15 of this report.

Financial Analysis

The Agency provides administrative assistance to companies within the Village of Port Chester, New York (the “Village”) and has limited operations. The Agency does not have any capital assets, 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 \$278,345 and \$251,246 at May 31, 2018 and 2017, respectively.

Table 1, shown below, presents condensed statements of net position at May 31, 2018, 2017, and 2016.

Table 1—Condensed Statements of Net Position

	May 31,		
	2018	2017	2016
Assets:			
Current assets	<u>\$ 306,334</u>	<u>\$ 279,344</u>	<u>\$ 364,905</u>
Liabilities:			
Current liabilities	<u>27,989</u>	<u>28,098</u>	<u>5,803</u>
Net Position:			
Unrestricted	<u>\$ 278,345</u>	<u>\$ 251,246</u>	<u>\$ 359,102</u>

The Agency’s current assets are comprised of cash and cash equivalents, receivables, and prepaid items. The total of these assets has increased in 2018 over the previous year as a result of operating activities.

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

The Agency’s revenues and expenses produced an increase in net position of \$27,099 for the year ended May 31, 2018, and decreases of \$107,856 and \$14,382 for the fiscal years ended May 31, 2017 and May 31, 2016, respectively.

Table 2, shown below, presents condensed statements of the changes in net position for the years ended May 31, 2018, 2017, and 2016.

Table 2—Condensed Statements of Changes in Net Position

	Year Ended May 31,		
	2018	2017	2016
Operating revenues	\$ 95,475	\$ 14,478	\$ 55,053
Operating expenses	<u>69,979</u>	<u>122,932</u>	<u>69,792</u>
Operating income (loss)	25,496	(108,454)	(14,739)
Nonoperating revenues	<u>1,603</u>	<u>598</u>	<u>357</u>
Change in net position	27,099	(107,856)	(14,382)
Net position—beginning	<u>251,246</u>	<u>359,102</u>	<u>373,484</u>
Net position—ending	<u>\$ 278,345</u>	<u>\$ 251,246</u>	<u>\$ 359,102</u>

Operating revenues are derived from the application and closing of transactions that assist businesses within the Village. 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, 2018 the Agency collected \$95,475 in application and closing fees; comparatively, during the year ended May 31, 2017 the Agency collected \$14,478.

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 the year ended May 31, 2017 to the year ended May 31, 2018 include:

- During the year ended May 31, 2018, operating revenues increased \$80,997 from the year ended May 31, 2017. The increase can be attributed to significant closing fees received from a refinanced mortgage during the current year.
- Operating expenses decreased by \$52,953 in total, which was primarily attributed to a decrease in professional service expenses related to an action-based mobility and parking management study performed during the prior year, which had less activity during the year ended May 31, 2018.

Another important factor in the consideration of the fiscal condition is the Agency’s cash position and annual cash flows.

Table 3, shown below, presents a condensed version of the Agency’s statements of cash flows for the years ended May 31, 2018, 2017, and 2016.

Table 3—Condensed Statements of Cash Flows

	Year Ended May 31,		
	2018	2017	2016
Cash flows provided by (used for):			
Operating activities	\$ 30,755	\$ (91,200)	\$ (14,017)
Investing activities	<u>1,603</u>	<u>598</u>	<u>357</u>
Net increase (decrease) in cash and cash equivalents	32,358	(90,602)	(13,660)
Cash and cash equivalents—beginning	<u>272,057</u>	<u>362,659</u>	<u>376,319</u>
Cash and cash equivalents—ending	<u>\$ 304,415</u>	<u>\$ 272,057</u>	<u>\$ 362,659</u>

The change in cash and cash equivalents in each year is largely 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, 2018 and 2017.

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.

BASIC FINANCIAL STATEMENTS

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the Village of Port Chester, New York)
Statements of Net Position
May 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 304,415	\$ 272,057
Receivables	-	5,478
Prepaid items	<u>1,919</u>	<u>1,809</u>
Total assets	<u>306,334</u>	<u>279,344</u>
LIABILITIES		
Current liabilities:		
Accounts payable	5,638	3,250
Unearned revenue	<u>22,351</u>	<u>24,848</u>
Total liabilities	<u>27,989</u>	<u>28,098</u>
NET POSITION		
Unrestricted	<u>\$ 278,345</u>	<u>\$ 251,246</u>

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

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, 2018 and 2017

	2018	2017
Operating revenues:		
Administrative, application and other fees	\$ 1,000	\$ 2,000
Closing fees	94,475	12,478
Total operating revenues	95,475	14,478
Operating expenses:		
Administrative services	26,800	26,950
Professional services	31,281	83,952
Insurance	4,496	4,342
Secretarial	4,200	4,200
Membership fees	-	438
Rent	3,000	3,000
Postage and supplies	202	50
Total operating expenses	69,979	122,932
Operating income (loss)	25,496	(108,454)
Nonoperating revenues:		
Interest earnings	1,603	598
Change in net position	27,099	(107,856)
Net position—beginning	251,246	359,102
Net position—ending	\$ 278,345	\$ 251,246

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

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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for services provided	\$ 98,456	\$ 33,848
Payments made for operating costs	<u>(67,701)</u>	<u>(125,048)</u>
Net cash provided by (used for) operating activities	<u>30,755</u>	<u>(91,200)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	<u>1,603</u>	<u>598</u>
Net cash provided by investing activities	<u>1,603</u>	<u>598</u>
 Net increase (decrease) in cash and cash equivalents	32,358	(90,602)
 Cash and cash equivalents—beginning	<u>272,057</u>	<u>362,659</u>
Cash and cash equivalents—ending	<u>\$ 304,415</u>	<u>\$ 272,057</u>
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	<u>\$ 25,496</u>	<u>\$ (108,454)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Decrease (increase) in receivables	5,478	(5,478)
(Increase) decrease in prepaid items	(110)	437
Increase (decrease) in accounts payable	2,388	(2,553)
(Decrease) increase in unearned revenue	<u>(2,497)</u>	<u>24,848</u>
Total adjustments	<u>5,259</u>	<u>17,254</u>
 Net cash provided by (used for) operating activities	<u>\$ 30,755</u>	<u>\$ (91,200)</u>

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

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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, 2018 and 2017

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 a separate entity and operates independently of the Village.

Financial 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. As such, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

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

Cash, Cash Equivalents and Investments—Cash and cash equivalents 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, 2018 or 2017; however, when the Agency does have investments they are recorded at fair value in accordance with GASB.

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

Unearned Revenue—Certain cash receipts have not met the revenue recognition criteria. At May 31, 2018 and 2017, the Agency reported unearned revenues of \$22,351 and \$24,848, respectively, which represent funds received in advance from an applicant to pay certain costs of the Agency incurred in connection with the proposed project.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At May 31, 2018 and 2017, 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. At May 31, 2018 and 2017, 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.

Revenues and Expenses

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.

Closing Fees—During the year ended May 31, 2018, \$3,606,321 of tax exempt bonds were paid off. As a result of the transaction and the Agency's involvement with these Southport Mews Preservation LP bonds, the Agency received \$90,000 which is recorded within closing fees revenue for the year ended May 31, 2018.

Tax Status—The Agency is exempt from Federal income taxes and New York State franchise taxes.

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 Pronouncements—During the year ended May 31, 2018, the Agency implemented GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units*; No. 81,

Irrevocable Split-Interest Agreements, and No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB Statement No. 73 establishes a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) for making decisions and accessing accountability. GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. GASB Statement No. 81 establishes recognition and measurement requirements for irrevocable split-interest agreements. GASB Statement No. 82 addresses issues regarding the (1) presentation of payroll-related measures in the supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB Statements No. 73, 74, 80, 81, and 82 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 No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*, effective for the year ending May 31, 2019, No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; and No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending May 31, 2020, and No. 87, *Leases*; and No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, effective for the year ending May 31, 2021. The Agency is, therefore, unable to disclose the impact that adopting GASB Statements No. 75, 83, 84, 85, 86, 87, 88 and 89 will have on its financial position and results of operations when such statements are adopted.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Agency’s investment policies are governed by New York State statutes. There were no investments at May 31, 2018 or 2017. All deposits are carried at fair value. Collateral is required for all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Deposits—All deposits are carried at fair value, and are classified by custodial risk at May 31, 2018 and 2017 as shown below:

	May 31, 2018		May 31, 2017	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
FDIC insured	\$ 304,415	\$ 304,415	\$ 272,057	\$ 272,057

Custodial Credit Risk—Deposits—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, 2018 and 2017, the Agency’s deposits were fully FDIC insured.

3. REVENUE BONDS AND STRAIGHT-LEASE TRANSACTIONS

The Agency is an issuer of tax-exempt bond financing secured by property, which is leased to businesses. The bonds are the obligations of the borrower. The Agency’s primary function is to arrange the financing between the borrowing companies and the bond and note holders. The funds arising from these transactions are controlled by trustees or banks acting as fiscal agents, accordingly the Agency does not record the assets or liabilities resulting from the completed bond and note issued within its financial statements. The Agency (referred to as the “PCIDA” in the following table) receives administrative fees in exchange for the services provided. The fee schedule can be found below.

<u>Transaction</u>	<u>Application Fee</u>	<u>Fee</u>
Taxable and Tax Exempt Industrial Development Revenue Bonds	A non-refundable fee of \$2,500 and a \$500 processing fee are payable to the PCIDA at the time the application is submitted. The \$2,500 fee will be credited towards the total fee at closing.	First \$10 million - 1% of the principal amount of the bond series. Over \$10 million - 0.5% of the bond series. Annual (post-closing) administrative fee of \$1,500.
Tax Exempt Civic Facility Bonds	A non-refundable fee of \$2,500 and a \$500 processing fee are payable to the PCIDA at the time the application is submitted. The \$2,500 fee will be credited towards the total fee at closing.	First \$10 million - 1% of the bond series. Over \$10 million - 0.5% of the bond series. Annual administrative fee (post-closing) of \$1,500 (waivable).
Straight Lease Transactions (including PILOT Agreement)	A non-refundable fee of \$2,500 and a \$500 processing fee are payable to the PCIDA at the time the application is submitted. The \$2,500 fee will be credited towards the total fee at closing.	First \$10 million - 1%. Project Costs in excess of \$10 million - 0.5%. Annual administrative fee of \$500.
Sales Tax and/or Mortgage Recording Tax only Transactions (No PILOT Agreement)	A non-refundable fee of \$2,500 and a \$500 processing fee are payable to the PCIDA at the time the application is submitted. The \$2,500 fee will be credited towards the total fee at closing.	Minimum \$4,500 or 10% estimated exemption amount, whichever is greater. Annual administrative fee of \$500.

4. RELATED PARTY TRANSACTIONS

The Village is considered a related entity since the Mayor and two Board of Trustees Members also serve as Members of the Agency, the Village Treasurer also serves as the Treasurer of the Agency, and the Village Manager also serves as the Administrative Director of the Agency. The Village 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, 2018 and 2017, the Agency independently contracted with the Village Treasurer to perform administrative services at an annual cost of \$7,800. During the years ended May 31, 2018 and 2017, the Agency independently contracted with the Village Junior Accountant to perform administrative services at an annual cost of \$1,000 and \$1,150, respectively. During the years ended May 31, 2018 and 2017, the Agency independently contracted with the Village Manager to perform administrative services at a cost of \$18,000. The Agency also pays the Village its annual rent of \$3,000. The Agency’s Acting Secretary also provides secretarial services to Village of Port Chester Planning Commission, Zoning Board of Appeals, and Local Development Corporation.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 8, 2018, 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, 2018

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 Members of the Agency.
- 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, 2018.
- e. Investment income record—Investment income for the year ended May 31, 2018 consisted of:

	Interest Earned
Interest earned on cash and cash equivalents	<u>\$ 1,603</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, 2018.

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OTHER INFORMATION

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the Village of Port Chester, New York)
Schedule of Issuances and Outstanding Balances
Year Ended May 31, 2018

Project/Address	Purpose	Federal Tax Status	Issue/ Maturity	Interest Rate	Original Issuance	Principal Outstanding 6/1/2017	Redeemed	Principal Outstanding 5/31/2018
Kingsport Apartments LP 245 King Street	Acquisition and improvement of building structure	Exempt	2011/2046	5.70%	\$ 13,500,000	\$ 12,695,572	\$ 171,140	\$ 12,524,432
Kingsport Apartments LP 245 King Street	Acquisition and improvement of building structure	Exempt	2011/2051	9.00%	1,000,000	1,000,000	-	1,000,000
Southport Mews Preservation LP 50 South Main Street	Acquisition and improvement of building structure	Exempt	2004/2039	6.55%	3,744,000	3,298,591	3,298,591	-
Southport Mews Preservation LP 51 South Main Street	Acquisition and improvement of building structure	Exempt	2004/2024	6.55%	574,000	307,730	307,730	-
Total					<u>\$ 18,818,000</u>	<u>\$ 17,301,893</u>	<u>\$ 3,777,461</u>	<u>\$ 13,524,432</u>

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the Village of Port Chester, New York)
Schedule of Payments in Lieu of Taxes
Year Ended May 31, 2018

Project	Project Address	Pilot Payments					Total
		School	Village	Town	County		
Kingsport Apartments LP Impact Fee	245 King St.	\$ -	\$ 20,500	\$ -	\$ -	\$ 20,500	
Kingsport Apartments LP	245 King St.	32,475	15,311	65	4,649	52,500	
Southport Mews Preservation LP	50 S. Main St.	69,182	17,295	10,431	-	96,908	
Southport Mews Preservation LP, Sidewalk	50 S. Main St.	3,998	1,713	-	-	5,711	
JMDH Real Estate of Port Chester, LLC	305 S. Regent St.	194,413	91,656	408	28,263	314,740	
G&S Port Chester Unit Lease 1, LLC	S. Main St., Waterfront Pl., and Westchester Ave.	838,818	395,462	1,676	120,079	1,356,035	
G&S Port Chester Unit Lease 2A, LLC	Waterfront Pl.	102,991	48,555	206	14,743	166,495	
G&S Port Chester Unit Lease 2B, LLC	N. Main St. and Westchester Ave.	14,214	6,701	28	2,035	22,978	
G&S Port Chester Unit Lease 2C, LLC	Abendroth Ave. and N. Main St.	35,434	16,706	71	5,072	57,283	
G&S Port Chester Unit Lease 3, LLC	Westchester Ave.	592,724	279,441	1,185	84,850	958,200	
G&S Port Chester Unit Lease 4A, LLC	S. Main St.	30,149	14,214	60	4,316	48,739	
Total		<u>\$ 1,914,398</u>	<u>\$ 907,554</u>	<u>\$ 14,130</u>	<u>\$ 264,007</u>	<u>\$ 3,100,089</u>	

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, 2018

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, 2018, the Agency reported no real property.
2. **Real Property Acquisitions**—There were no real property acquisitions during the year ended May 31, 2018.
3. **Real Property Dispositions**—There were no real property dispositions during the year ended May 31, 2018.

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Certified Public Accountants

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

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

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 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 year ended May 31, 2018, 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 8, 2018.

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 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 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings as item 2018-001.

Agency's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 Duesch & Malchi LLP

August 8, 2018

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the Village of Port Chester, New York)
Schedule of Findings
Year Ended May 31, 2018

We consider the deficiency presented below to be an instance of noncompliance.

Finding 2018-001—Payments in Lieu of Taxes (“PILOTs”) Distribution

Criteria: New York State General Municipal Law requires the Agency to send PILOTs collected to each affected taxing jurisdiction within 30 days of receipt.

Condition and Context: During our testing of the collection and subsequent distribution of PILOTs to the appropriate taxing jurisdictions, one instance was noted where PILOTs received were not distributed within 30 days of receipt.

Effect or Potential Effect: The Agency is not in compliance with New York State General Municipal Law, Article 18-A and Title 1 of the New York State Industrial Development Agency Act, Section 874, tax exemptions paragraph (3).

Cause: The Village Manager’s approval and signature are needed for voucher payment. The Village Manager had limited availability during the period in which the late distribution was noted.

Recommendation: We recommend the Treasurer distribute PILOTs in compliance with State Law.

Management’s Corrective Action Plan: The Agency Treasurer will work with the Village Manager to obtain authority to have PILOT distributions signed by the Treasurer in the event that the Manager is unavailable within the 30 day window.

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