

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 Supplemental Information for the
Years Ended May 31, 2011 and 2010 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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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of Village of Port Chester Industrial Development Agency (the "Agency"), a component unit of the Village of Port Chester, New York, as of May 31, 2011 and 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2011 and 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2011, 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, listed in the foregoing Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplemental information listed in the foregoing Table of Contents for the year ended May 31, 2011 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This supplemental information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Daniel E. Malhotra LLP

August 23, 2011

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, 2011 and 2010

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, 2011 and 2010. 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 at May 31, 2011 and 2010 by \$237,271 and \$190,842, respectively. These amounts are considered "unrestricted net assets" and may be used to fund the Agency's ongoing operations.
- The Agency's total net assets increased by \$46,429 during the fiscal year ended May 31, 2011 and decrease \$24,400 ended May 31, 2010.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. This report includes the independent auditors' report, management's discussion and analysis, financial statements and notes to financial statements.

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

- *Statements of Net Assets* – shows all assets, liabilities and net assets of the Agency at May 31, 2011 and 2010.
- *Statements of Activities* – shows the financial activity for the years ended May 31, 2011 and 2010 and displays how this financial activity changes the Agency's net assets.
- *Statements of Cash Flows* – shows the cash provided and used during 2011 and 2010 and how it effects the cash balance at May 31, 2011 and 2010.
- *Notes to the Financial Statements* – provide information regarding the Agency and explain in more detail information included 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. When analyzing financial condition and the impact of current year operating activities, the Agency's management believes the most important issue is whether the Agency is better off than it was in the prior year. The *statement of net assets* and the *statement of activities* can assist in determining whether the Agency is better off. The *statement of cash flows* provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing and capital financing activities of the Agency during the year. This statement helps users assess the Agency's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing. Condensed financial highlights of these statements are included on the following page.

Net Assets – Agency assets exceeded its liabilities by \$237,271, \$190,842 and \$215,242 at May 31, 2011, 2010, and 2009, respectively. Key elements of the Agency’s statements of net assets are presented in Table 1 below:

Table 1 – Condensed Statement of Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets:			
Current assets	\$ 261,387	\$ 203,316	\$ 221,078
Liabilities:			
Current liabilities	<u>24,116</u>	<u>12,474</u>	<u>5,836</u>
Net Assets:			
Unrestricted	<u>\$ 237,271</u>	<u>\$ 190,842</u>	<u>\$ 215,242</u>

The Agency’s net assets were entirely derived as a result of operating activities and there are no restrictions as to their use.

Agency activities – Agency activities increased net assets by \$46,429 during the year ended May 31, 2011 while during the years ended May 31, 2010 and 2009 net assets decreased by \$24,400 and \$4,791, respectively. Key elements of these decreases are shown in Table 2:

Table 2 – Revenues, Expenses, and Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 145,500	\$ 3,021	\$ 10,000
Operating expenses	<u>99,766</u>	<u>27,709</u>	<u>15,763</u>
Net operating income (loss)	45,734	(24,688)	(5,763)
Nonoperating revenues	<u>695</u>	<u>288</u>	<u>972</u>
Increase (decrease) in net assets	46,429	(24,400)	(4,791)
Net assets - beginning	<u>190,842</u>	<u>215,242</u>	<u>220,033</u>
Net assets - ending	<u>\$ 237,271</u>	<u>\$ 190,842</u>	<u>\$ 215,242</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 2011, the Agency collected \$145,500 in application and closing fees.

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

Cash flows – Agency cash and cash equivalents increased by \$58,402 for the year ended May 31, 2011, while it decreased by \$18,093 for the year ended May 31, 2010. During the year ended May 31, 2009 it increased by \$1,024. Key elements of these changes are presented in Table 3 which follows:

Table 3 – Cash Flows

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash flows from:			
Operating activities	\$ 57,707	\$ (18,381)	\$ 52
Investing activities	<u>695</u>	<u>288</u>	<u>972</u>
Net increase (decrease)	58,402	(18,093)	1,024
Cash and cash equivalents - beginning	<u>202,985</u>	<u>221,078</u>	<u>220,054</u>
Cash and cash equivalents - ending	<u>\$ 261,387</u>	<u>\$ 202,985</u>	<u>\$ 221,078</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 – The Agency has not acquired any capital assets nor issued any debt instruments during the fiscal year ended May 31, 2011.

Contacting the Agency – Questions regarding this report or requests for additional information should be directed to the Village of Port Chester Industrial Development Agency, Administrative Director, 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 Assets
May 31, 2011 and 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 261,387	\$ 202,985
Due from State and Federal	-	331
Total current assets	261,387	203,316
 LIABILITIES		
Current liabilities:		
Accounts payable	24,116	12,474
Total current liabilities	24,116	12,474
 NET ASSETS		
Unrestricted	\$ 237,271	\$ 190,842

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, 2011 and 2010

	2011	2010
Operating revenues:		
Administrative and application fees	\$ 500	\$ 3,000
Closing fees	145,000	-
Miscellaneous	-	21
Total operating revenues	145,500	3,021
Operating expenses:		
Administrative salaries	41,779	11,000
Legal and accounting	48,275	15,959
Insurance	3,657	-
Secretarial	1,950	-
Consulting fees	2,500	-
Membership fees	1,400	-
Postage and supplies	205	750
Total operating expenses	99,766	27,709
Operating income (loss)	45,734	(24,688)
Nonoperating revenue:		
Interest earnings	695	288
Change in net assets	46,429	(24,400)
Net assets—beginning	190,842	215,242
Net assets—ending	\$ 237,271	\$ 190,842

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, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for services provided	\$ 145,831	\$ 3,021
Payments made for operating costs	<u>(88,124)</u>	<u>(21,402)</u>
Net cash provided (used) by operating activities	<u>57,707</u>	<u>(18,381)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	<u>695</u>	<u>288</u>
Net cash provided by investing activities	<u>695</u>	<u>288</u>
 Net increase (decrease) in cash and cash equivalents	58,402	(18,093)
 Cash and cash equivalents—beginning	<u>202,985</u>	<u>221,078</u>
Cash and cash equivalents—ending	<u>\$ 261,387</u>	<u>\$ 202,985</u>
 Reconciliation of operating income (loss) to net provided by (used in) operating activities:		
Operating income (loss)	<u>\$ 45,734</u>	<u>\$ (24,688)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Decrease (increase) in due from State and Federal	331	(331)
Increase in accounts payable	<u>11,642</u>	<u>6,638</u>
Total adjustments	<u>11,973</u>	<u>6,307</u>
 Net cash provided by (used in) operating activities	<u>\$ 57,707</u>	<u>\$ (18,381)</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 Financial Statements
Years Ended May 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations—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.

Financial Reporting Entity—The Agency has been identified as a component unit of the Village. In accordance with the criteria enumerated in the Governmental Accounting Standards Board (“GASB”) Statement No. 14, the Agency’s financial statements have been discretely presented in the Village’s financial statements.

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

Net Assets—Net assets represent the difference between assets and liabilities. Net assets are reported as restricted only when there are limitations imposed on their use. The net assets of the Agency are classified as unrestricted.

Use of 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.

Future Impacts of Accounting Pronouncements—During the year ended May 31, 2011, the Agency implemented Governmental Accounting Standards Board (“GASB”) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative* and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. GASB Statements No. 51, 53 and 58 did not have an impact on the financial statements.

The Agency has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 54, *Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*, effective for the year ending May 31, 2012; and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 GASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53* effective for the year ending May 31, 2013; and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective for the year ending May 31, 2014. The Agency is, therefore, unable to disclose the impact that adopting GASB Statements Nos. 54, 57, 59, 60, 61, 62, 63 and 64 will have on its financial position and results of operations.

2. CASH AND CASH EQUIVALENTS

The Agency's investment policies are governed by New York State statutes. There were no investments at May 31, 2011 and 2010. All deposits are carried at fair value.

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.

Cash and cash equivalents:

	May 31, 2011		May 31, 2010	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured (FDIC)	\$ 261,218	\$ 261,387	\$ 202,985	\$ 202,985

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. As of May 31, 2011 and 2010 the Agency's deposits were within FDIC coverage limits.

3. INDUSTRIAL DEVELOPMENT AGENCY REVENUE BOND & 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. During years ended May 31, 2011 and May 31, 2010, the Agency collected \$145,000 and \$0, respectively, in closing fees.

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 year ended May 31, 2011, the Agency independently contracted with the Village Treasurer to perform administrative services at cost of \$5,000.

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, 2011

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 policy was adopted by the Board of Directors.
- b. Amendments to guidelines – none
- c. Explanation of guidelines and investments – the Agency has not made any amendments to its investment policy. These guidelines restrict investment of Agency funds to money market accounts and certificates of deposit.
- d. Results of the annual independent audit – the independent auditors have issued an unqualified opinion on the Agency’s financial statements for the year ended May 31, 2011.
- e. Investment income record – investment income for the year ended May 31, 2011 consisted of:

	Interest Earned
Premier money market account	\$ 695
	\$ 695

- 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, 2011.

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, 2011

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, 2011, the Agency reported no real property.

2. **Real Property Acquisitions/Dispositions** – During the year ended May 31, 2011, the Agency neither acquired nor disposed of any real property.

Certified Public Accountants

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

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

We have audited the financial statements of 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, 2011 and 2010, and have issued our report thereon dated August 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Agency, others within the entity, the New York State Office of the State Comptroller and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than these specified parties.

 LLP

August 23, 2011