

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, 2016
and 2015 and Independent Auditors' Reports

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

Table of Contents
Years Ended May 31, 2016 and 2015

	<u>Page</u>
Members	1
Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statements of Net Position	7
Statements of Activities	8
Statements of Cash Flows	9
Notes to the Financial Statements	10
Supplementary Information For the year ended May 31, 2016:	
Schedule of Agency Investments	14
Other Information For the year ended May 31, 2016:	
Schedule of Issuances and Outstanding Balances	15
Schedule of Payments in Lieu of Taxes	16
Real Property Listing	17
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 <i>Government Auditing Standards</i>	18
Schedule of Findings	20

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE VILLAGE OF PORT CHESTER, NEW YORK)
Members
May 31, 2016

<u>Name</u>	<u>Position</u>	<u>Term Began</u>
Frank Ferrera	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
Dennis Pilla	Member	April 2009
James T. Taylor, II	Member	October 2007

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

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, 2016 and 2015, 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 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, 2016 and 2015, and the respective 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, 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 10, 2016 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 10, 2016

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, 2016 and 2015

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, 2016 and 2015. 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, 2016 and 2015 by \$359,102 and \$373,484, 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 decreased by \$14,382 and increased by \$60,554 for the fiscal years ended May 31, 2016 and 2015, 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.

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, 2016 and 2015 and how it affects the cash balances at May 31, 2016 and 2015.

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, New York (the "Village") 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 \$359,102 and \$373,484 at May 31, 2016 and 2015, respectively.

Table 1, shown below, presents condensed statements of net position at May 31, 2016, 2015, and 2014.

Table 1—Condensed Statements of Net Position

	May 31,		
	2016	2015	2014
Assets:			
Current assets	<u>\$ 364,905</u>	<u>\$ 379,319</u>	<u>\$ 318,360</u>
Liabilities:			
Current liabilities	<u>5,803</u>	<u>5,835</u>	<u>5,430</u>
Net Position:			
Unrestricted	<u>\$ 359,102</u>	<u>\$ 373,484</u>	<u>\$ 312,930</u>

The Agency's current assets are comprised of cash and cash equivalents, receivables and prepaid items. The total of these assets has decreased in 2016 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 revenue and expense activity produced a decrease in net position of \$14,382 for the fiscal year ended May 31, 2016 and an increase in net position of \$60,554 for the fiscal year ended May 31, 2015.

Table 2, shown below, presents a condensed version of the changes in net position for the years ended May 31, 2016, 2015, and 2014.

Table 2—Condensed Statements of Changes in Net Position

	Year Ended May 31,		
	2016	2015	2014
Operating revenues	\$ 55,053	\$ 176,550	\$ 57,063
Operating expenses	<u>69,792</u>	<u>116,372</u>	<u>29,463</u>
Operating income (loss)	(14,739)	60,178	27,600
Nonoperating revenues	<u>357</u>	<u>376</u>	<u>474</u>
Change in net position	(14,382)	60,554	28,074
Net position—beginning	<u>373,484</u>	<u>312,930</u>	<u>284,856</u>
Net position—ending	<u>\$ 359,102</u>	<u>\$ 373,484</u>	<u>\$ 312,930</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, 2016 the Agency collected \$55,053 in application and closing fees, comparatively during the year ended May 31, 2015 the Agency collected \$176,550.

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 2015 to 2016 include:

- During the year ended May 31, 2016, operating revenues decreased \$121,497 from the year ended May 31, 2015. The decrease can be attributed to a significant closing fee received in the prior year.
- Operating expenses decreased by \$46,580 in total, which was primarily caused by a decrease in professional service expenses related to consultant, administrative, legal and economic development services associated with decreased activity in the current year.

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

Table 3, presented below, presents a condensed version of the Agency's statements of cash flows for the years ended May 31, 2016, 2015, and 2014.

Table 3—Condensed Statements of Cash Flows

	Year Ended May 31,		
	2016	2015	2014
Cash flows provided by (used for):			
Operating activities	\$ (14,017)	\$ 66,583	\$ 31,337
Investing activities	<u>357</u>	<u>376</u>	<u>474</u>
Net increase (decrease) in cash and cash equivalents	(13,660)	66,959	31,811
Cash and cash equivalents—beginning	<u>376,319</u>	<u>309,360</u>	<u>277,549</u>
Cash and cash equivalents—ending	<u>\$ 362,659</u>	<u>\$ 376,319</u>	<u>\$ 309,360</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, 2016 and 2015.

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.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE VILLAGE OF PORT CHESTER, NEW YORK)
Statements of Net Position
May 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 362,659	\$ 376,319
Prepaid items	<u>2,246</u>	<u>3,000</u>
Total assets	<u>364,905</u>	<u>379,319</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	<u>5,803</u>	<u>5,835</u>
Total liabilities	<u>5,803</u>	<u>5,835</u>
 NET POSITION		
Unrestricted	<u>\$ 359,102</u>	<u>\$ 373,484</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, 2016 and 2015

	2016	2015
Operating revenues:		
Administrative, application and other fees	\$ -	\$ 500
Closing fees	55,053	176,050
Total operating revenues	55,053	176,550
Operating expenses:		
Administrative services	25,050	24,000
Professional services	34,642	82,236
Insurance	2,533	4,086
Secretarial	3,200	2,200
Membership fees	312	750
Rent	3,000	3,000
Postage and supplies	1,055	100
Total operating expenses	69,792	116,372
Operating (loss) income	(14,739)	60,178
Nonoperating revenues:		
Interest earnings	357	376
Change in net position	(14,382)	60,554
Net position—beginning	373,484	312,930
Net position—ending	\$ 359,102	\$ 373,484

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, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for services provided	\$ 55,053	\$ 176,550
Payments made for operating costs	<u>(69,070)</u>	<u>(109,967)</u>
Net cash (used for) provided by operating activities	<u>(14,017)</u>	<u>66,583</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	<u>357</u>	<u>376</u>
Net cash provided by investing activities	<u>357</u>	<u>376</u>
Net (decrease) increase in cash and cash equivalents	(13,660)	66,959
Cash and cash equivalents—beginning	<u>376,319</u>	<u>309,360</u>
Cash and cash equivalents—ending	<u><u>\$ 362,659</u></u>	<u><u>\$ 376,319</u></u>
Reconciliation of operating income to net cash (used for) provided by operating activities:		
Operating (loss) income	<u>\$ (14,739)</u>	<u>\$ 60,178</u>
Adjustments to reconcile operating income to net cash (used for) provided by operating activities:		
Decrease in receivables	-	3,000
Decrease in prepaid items	754	3,000
(Decrease) increase in accounts payable	<u>(32)</u>	<u>405</u>
Total adjustments	<u>722</u>	<u>6,405</u>
Net cash (used for) provided by operating activities	<u><u>\$ (14,017)</u></u>	<u><u>\$ 66,583</u></u>

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

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

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, 2016 and 2015

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.

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.

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 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, 2016 or 2015; 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. At May 31, 2016 and 2015, 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, 2016 and 2015, 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.

Tax—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, 2016, the Agency implemented GASB Statements 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—an amendment of GASB Statement No. 68*. GASB Statements No. 68 and No. 71 improve accounting and financial reporting by governments for pensions. GASB Statement No. 68 and No. 71 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. 72, *Fair Value Measurement and Application*; No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; and No. 79, *Certain External Investment Pools and Pool Participants*, effective for the year ending May 31, 2017, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending May 31, 2018, and No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*,

effective for the year ending May 31, 2019. The Agency is, therefore, unable to disclose the impact that adopting GASB Statements No. 72, 73, 74, 75, 76, 77, 78, 79, 80, 81 and 82 will have on its financial position and results of operations when such statements are adopted.

2. CASH AND CASH EQUIVALENTS

The Agency’s investment policies are governed by New York State statutes. There were no investments at May 31, 2016 or 2015. 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 at May 31, 2016 and 2015 as shown below:

	May 31, 2016		May 31, 2015	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
FDIC insured	\$ 362,659	\$ 362,659	\$ 376,319	\$ 376,319

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, 2016 and 2015, 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 on the following page.

Transaction	Application Fee	Fee
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 a Board of Trustees Member 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, 2016 and 2015, the Agency independently contracted with the Village Treasurer to perform administrative services at an annual cost of \$7,050 and \$6,000, respectively. During the years ended May 31, 2016 and 2015, 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.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 10, 2016, 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.

* * * * *

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, 2016

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, 2016.
- e. Investment income record—Investment income for the year ended May 31, 2016 consisted of:

	Interest
	Earned
Interest earned on cash and cash equivalents	\$ 357

- 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, 2016.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

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, 2016

Project/Address	Purpose	Federal Tax Status	Issue/ Maturity	Interest Rate	Original Issuance	Principal Outstanding 6/1/2015	Redeemed	Principal Outstanding 5/31/2016
Kingsport Apartments LP 245 King Street	Acquisition and improvement of building structure	Exempt	2011/2046	5.70%	\$ 13,500,000	\$ 13,009,760	\$ 152,590	\$ 12,857,170
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	3,405,021	51,477	3,353,544
Southport Mews Preservation LP 51 South Main Street	Acquisition and improvement of building structure	Exempt	2004/2024	6.55%	574,000	366,444	28,399	338,045
Total					<u>\$ 18,818,000</u>	<u>\$ 17,781,225</u>	<u>\$ 232,466</u>	<u>\$ 17,548,759</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, 2016

Project	Project Address	Pilot Payments				Total
		School	Village	Town	County	
Kingsport Apartments LP Impact Fee	245 King St.	\$ -	\$ 20,000	\$ -	\$ -	\$ 20,000
Kingsport Apartments LP	245 King St.	32,667	15,073	72	4,688	52,500
Southport Mews Preservation LP	50 S. Main St.	66,485	16,856	10,301	-	93,642
Southport Mews Preservation LP, Sidewalk	50 S. Main St.	3,858	1,653	-	-	5,511
JMDH Real Estate of Port Chester, LLC	305 S. Regent St.	263,297	121,488	360	28,062	413,207
G&S Port Chester Unit Lease 1, LLC	S. Main St., Waterfront Pl., and Westchester Ave.	764,579	352,780	1,696	109,717	1,228,772
G&S Port Chester Unit Lease 2A, LLC	Waterfront Pl.	95,021	43,843	210	13,636	152,710
G&S Port Chester Unit Lease 2B, LLC	N. Main St. and Westchester Ave.	13,743	6,341	30	1,972	22,086
G&S Port Chester Unit Lease 2C, LLC	Abendroth Ave. and N. Main St.	32,364	14,934	72	4,644	52,014
G&S Port Chester Unit Lease 3, LLC	Westchester Ave.	540,524	249,401	1,199	77,565	868,689
G&S Port Chester Unit Lease 4A, LLC	S. Main St.	24,222	11,176	54	3,476	38,928
Total		<u>\$ 1,836,760</u>	<u>\$ 853,545</u>	<u>\$ 13,994</u>	<u>\$ 243,760</u>	<u>\$ 2,948,059</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, 2016

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, 2016, the Agency reported no real property.
2. **Real Property Acquisitions**—There were no real property acquisitions during the year ended May 31, 2016.
3. **Real Property Dispositions**—There were no real property dispositions during the year ended May 31, 2016.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

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 years ended May 31, 2016 and 2015, 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 10, 2016.

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 2016-001.

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.

Handwritten signature in black ink that reads "Duescher & Malecki LLP". The signature is written in a cursive, flowing style.

August 10, 2016

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, 2016

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

Finding 2016-001—PILOT Payment Distribution

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

Condition and Context: During our testing of the collection and subsequent distribution of PILOT payments to the appropriate taxing jurisdictions, 2 instances were noted where PILOT payments 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 Agency Treasurer was under the impression that authorizations for PILOT payments must occur at monthly member meetings; however State Law authorizes the Treasurer to process disbursements to appropriate taxing jurisdictions without member approval.

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

Management's Corrective Action Plan: The Treasurer was made aware that PILOT payments do not require member authorization at the August 12, 2015 meeting of the Agency. The two instances noted during the current year audit occurred prior to August 12, 2015. All disbursements made subsequent to August 12, 2015 were made in compliance with State Law. The Agency will continue to distribute all PILOT payments within 30 days of receipt.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****