

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, 2013 and 2012 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, 2013 and 2012

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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 statements of net position of the Village of Port Chester Industrial Development Agency (the "Agency"), a component unit of the Village of Port Chester, New York, as of May 31, 2013 and 2012 and the related statements of activities and cash flows for the years then ended, 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

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 opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of May 31, 2013 and 2012, and the changes in financial position and 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 on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2013 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, 2013

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, 2013 and 2012

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, 2013 and 2012. This narrative should be read in conjunction with the Agency's financial statements which follow this section. Certain data from the prior year has been reclassified to conform with the current year presentation.

Financial Highlights:

- ◆ The assets of the Agency exceed its liabilities (*net position*) at May 31, 2013 and 2012 by \$284,856 and \$322,282, 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 \$37,426 and increased by \$85,011 for the fiscal years ended May 31, 2013 and 2012, respectively.

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, notes to financial statements, and other supplemental information.

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

- ◆ *Statements of Net Position*—Present all assets, liabilities and net position of the Agency at May 31, 2013 and 2012.
- ◆ *Statements of Activities*—Present the financial activity for the years ended May 31, 2013 and 2012 and displays how this financial activity changed the Agency's net position.
- ◆ *Statements of Cash Flows*—Present the cash provided and used during the 2013 and 2012 fiscal years and how it affects the cash balances at May 31, 2013 and 2012.
- ◆ *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. The Agency's net position may serve over time as a useful indicator of financial position. In the case of the Agency, assets exceeded liabilities by \$284,856 and \$322,282 at May 31, 2013 and 2012, respectively.

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

	May 31,		
	2013	2012	2011
Assets:			
Current assets	\$ 286,658	\$ 331,400	\$ 261,387
Liabilities:			
Current liabilities	1,802	9,118	24,116
Net Position:			
Unrestricted	\$ 284,856	\$ 322,282	\$ 237,271

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

A useful indicator of the financial status and ability to meet the Agency's current obligation is the current ratio, which is computed as follows:

	May 31,		
	2013	2012	2011
Current assets	\$ 286,658	\$ 331,400	\$ 261,387
Current liabilities	1,802	9,118	24,116
Ratio of current assets to current liabilities	159.1	36.3	10.8

The Agency had current ratios of 159.1 and 36.3 at May 31, 2013 and 2012, respectively. Such ratios imply that the Agency has sufficient assets on hand to cover its liabilities that will come due in the coming year.

The Agency's revenue and expense activity produced the decrease in net position of \$37,426 and increase in net position of \$85,011 for the fiscal years ended May 31, 2013 and 2012, respectively. A condensed statement of revenues, expenses and changes in net position follows:

	Year Ended May 31,		
	2013	2012	2011
Operating revenues	\$ -	\$ 273,774	\$ 145,500
Operating expenses	37,964	189,066	99,766
Net operating (loss) income	(37,964)	84,708	45,734
Nonoperating revenue	538	303	695
Change in net position	\$ (37,426)	\$ 85,011	\$ 46,429

Operating revenues are derived from the application and closing of transactions that assist businesses within the Village of Port Chester. This assistance can take the form of lease transactions, assistance with bond issuances or sales tax exemptions (which generally allow businesses to expand). During the year ended May 31, 2013 the Agency reported no operating revenues, and during the year ended May 31, 2012 the Agency collected \$217,851 in application and closing fees.

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 2012 to 2013 include:

- ◆ The Agency collected \$273,774 of application and closing fees in the prior year; whereas, there was no such activity during the year ended May 31, 2013.
- ◆ Operating expenses decreased by \$151,102 in total, which was caused by the decreased activity during the year related to applications and closings.

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

	Year Ended May 31,		
	2013	2012	2011
Cash flows (used) provided by:			
Operating activities	\$ (42,389)	\$ 57,710	\$ 57,707
Investing activities	538	303	695
Net change in cash and cash equivalents	<u>\$ (41,851)</u>	<u>\$ 58,013</u>	<u>\$ 58,402</u>

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, 2013 and 2012.

Economic Factors

The Agency’s basic purpose is to assist business growth and expansion in the Village of Port Chester. 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.

Contacting the Agency

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

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE VILLAGE OF PORT CHESTER, NEW YORK)
Statements of Net Position
May 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 277,549	\$ 319,400
Accounts receivable	109	-
Prepaid items	<u>9,000</u>	<u>12,000</u>
Total current assets	<u>286,658</u>	<u>331,400</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	<u>1,802</u>	<u>9,118</u>
Total current liabilities	<u>1,802</u>	<u>9,118</u>
 NET POSITION		
Unrestricted	<u>\$ 284,856</u>	<u>\$ 322,282</u>

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

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE VILLAGE OF PORT CHESTER, NEW YORK)
Statements of Activities
Years Ended May 31, 2013 and 2012

	2013	2012
Operating revenues:		
Administrative, application and other fees	\$ -	\$ 178,982
Closing fees	-	94,792
Total operating revenues	-	273,774
Operating expenses:		
Administrative salaries	6,000	24,927
Legal and accounting	22,773	62,084
Filing fees	-	91,792
Insurance	3,800	3,634
Secretarial	1,400	2,400
Membership fees	750	750
Rent	3,000	3,000
Postage and supplies	241	259
Miscellaneous	-	220
Total operating expenses	37,964	189,066
Operating (loss) income	(37,964)	84,708
Nonoperating revenue:		
Interest earnings	538	303
Change in net position	(37,426)	85,011
Net position—beginning	322,282	237,271
Net position—ending	\$ 284,856	\$ 322,282

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, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for services provided	\$ -	\$ 273,774
Payments made for operating costs	<u>(42,389)</u>	<u>(216,064)</u>
Net cash (used) provided by operating activities	<u>(42,389)</u>	<u>57,710</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	<u>538</u>	<u>303</u>
Net cash provided by investing activities	<u>538</u>	<u>303</u>
 Net (decrease) increase in cash and cash equivalents	(41,851)	58,013
 Cash and cash equivalents—beginning	<u>319,400</u>	<u>261,387</u>
Cash and cash equivalents—ending	<u>\$ 277,549</u>	<u>\$ 319,400</u>
 Reconciliation of operating (loss) income to net cash (used) provided by operating activities:		
Operating (loss) income	<u>\$ (37,964)</u>	<u>\$ 84,708</u>
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities:		
(Increase) in accounts receivable	(109)	-
Decrease (increase) in prepaid expenses	3,000	(12,000)
(Decrease) in accounts payable	<u>(7,316)</u>	<u>(14,998)</u>
Total adjustments	<u>(4,425)</u>	<u>(26,998)</u>
 Net cash (used) provided by operating activities	<u>\$ (42,389)</u>	<u>\$ 57,710</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, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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.

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.

B. Measurement focus and basis of accounting

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

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.

C. Assets, liabilities, deferred outflows/inflows of resources, and net position

Cash and Cash Equivalents—Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity date within three months or less from the date of acquisition.

Investments—The Agency’s investment policies are governed by State statutes. In addition, the Agency has its own written investment policy. The Agency reports no investments at May 31, 2013 and 2012; however, it is the Agency’s policy to state investments at fair value, when applicable.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate

financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Agency does not have any items that qualify for reporting in this category.

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

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

D. Other

Statements of Cash Flows—For purposes of the statements of cash flows, the Agency considers cash and cash equivalents to be all cash accounts and short-term investments purchased with a maturity of three months or less.

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.

Reclassification—With the implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Agency has made all necessary reclassifications which resulted in no change in the Agency's net position.

Adoption of New Accounting Pronouncements—During the year ended May 31, 2013, the Agency adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Agency also elected to early implement the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statements No. 63 and No. 65 did not have a material impact on the Agency's financial position or results from operations.

Additionally, during the year ended May 31, 2013, the Agency completed the process of evaluating the impact that will result from adopting GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions— an amendment of GASB Statement No. 53*. The adoption of Statements No. 57, 60, 62, and No. 64 did not have a material impact on the Agency’s financial position or results of operations.

Future Impacts of Accounting Pronouncements—The Agency has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, No. 66, *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62*, No. 67, *Financial Reporting for Pension Plans- an amendment of GASB Statement No. 25*, and No. 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending May 31, 2014. Also, evaluation of the impact that will result from adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27*, and No. 70, *Accounting and Financial Reporting for Nonexchange Guarantees*, effective for the year ending May 31, 2015, has not been completed. The Agency is therefore unable to disclose the impact that adopting GASB Statements No. 61, 66, 67, 68, 69, and 70 will have on its financial position and results of operations when such statements are adopted.

2. CASH AND CASH EQUIVALENTS

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

The Agency’s cash and cash equivalents at May 31, 2013 and 2012 are carried at fair value as follows:

	May 31, 2013		May 31, 2012	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured (FDIC)	\$ 277,549	\$ 277,549	\$ 319,400	\$ 319,400

Custodial Credit Risk—Custodial credit risk is the risk that in the event of a bank failure, the Agency’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At May 31, 2013 and 2012, the Agency’s deposits were FDIC insured or collateralized.

3. RECEIVABLES

A. Accounts receivable—Accounts receivable at May 31, 2013 and 2012 are as follows:

	2013	2012
Accounts receivable	\$ 109	\$ -

4. RELATED PARTY TRANSACTIONS

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

The Village of Port Chester provides the Agency with administrative services. The cost of these services has been included as expenses on the Agency's statement of activities. During the years ended May 31, 2013 and 2012, the Agency independently contracted with the Village Treasurer to perform administrative services at cost of \$6,000 annually.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 8, 2013, 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 procedures.

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SUPPLEMENTAL INFORMATION

Presented as supplemental 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, 2013

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

- a. Investment guidelines—The Agency’s investment policies are governed by State statutes. In addition, the Agency has its own written investment policy which was adopted by the Board of Directors.
- b. Amendments to guidelines—None.
- c. Explanation of guidelines and investments—These guidelines restrict investment of Agency funds to money market accounts and certificates of deposit. The Agency has not made any amendments to its investment policy.
- d. Results of the annual independent audit—The independent auditors have issued an unmodified opinion on the Agency’s financial statements for the year ended May 31, 2013.
- e. Investment income record—Investment income for the year ended May 31, 2013 consisted of:

	Interest Earned
Interest earned on cash and cash equivalents	\$ 538

- 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, 2013.

VILLAGE OF PORT CHESTER INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE VILLAGE OF PORT CHESTER, NEW YORK)
Real Property Listing
May 31, 2013

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, 2013, the Agency reported no real property.
2. **Real property acquisitions**—There were no real property acquisitions during the year ended May 31, 2013.
3. **Real property dispositions**—There were no real property dispositions during the year ended May 31, 2013.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position 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, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, 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, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Handwritten signature of Duesch & Malach LLP in black ink.

August 8, 2013