

**CITY OF PORT JERVIS INDUSTRIAL
DEVELOPMENT AGENCY**

**(A Discretely Presented Component Unit of
City of Port Jervis, New York)**

**Financial Statements as of
December 31, 2017
Together with
Independent Auditor's Reports**

CITY OF PORT JERVIS INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the City of Port Jervis, New York)

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INDEPENDENT AUDITOR'S REPORT

March 22, 2018

The Board of Trustees of
City of Port Jervis Industrial Development Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of City of Port Jervis Industrial Development Agency (CPJIDA) (a discretely presented component unit of City of Port Jervis, New York), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise CPJIDA'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 an opinion 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 opinion.

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of City of Port Jervis Industrial Development Agency, as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Management has omitted the Management's Discussion and Analysis, that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing 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. Our opinion on the financial statements is not affected by this missing information.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CPJIDA's basic financial statements as a whole. The Schedule of Supplemental Information (Bonds/Notes or Straight Lease) as required by New York State General Municipal Law, which is the responsibility of management is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Supplemental Information (Bonds/Notes or Straight Lease) has 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 March 22, 2018 on our consideration of CPJIDA'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 Corporation's internal control over financial reporting and compliance.

Bonadio & Co., LLP

CITY OF PORT JERVIS INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the City of Port Jervis, New York)

STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS

Cash	<u>\$ 26,302</u>
Total Assets	<u>26,302</u>

LIABILITIES

Deferred revenue	<u>2,500</u>
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NET POSITION

Unrestricted	<u>23,802</u>
Total Net Position	<u><u>\$ 23,802</u></u>

The accompanying notes are an integral part of these statements.

CITY OF PORT JERVIS INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the City of Port Jervis, New York)

STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUE:	
Fee income	\$ 2,500
Rental income	12
Interest income	<u>38</u>
Total revenue	<u>2,550</u>
OPERATING EXPENSES:	
General and administrative	<u>268</u>
Total expenses	<u>268</u>
CHANGE IN NET POSITION	2,282
NET POSITION - beginning of year	<u>21,520</u>
NET POSITION - end of year	<u><u>\$ 23,802</u></u>

The accompanying notes are an integral part of these statements.

CITY OF PORT JERVIS INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the City of Port Jervis, New York)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,512
Interest income	38
Payments to vendors	<u>1,905</u>
Net Cash Provided by Operating Activities	<u>4,455</u>
 Cash, Beginning of Year	 <u>21,847</u>
 Cash, End of Year	 <u><u>\$ 26,302</u></u>

RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH USED BY OPERATING ACTIVITIES:	
Change in net position	\$ 2,282
 Changes in operating assets and liabilities:	
Accrued liabilities	\$ (315)
Deferred revenue	<u>2,488</u>
 Net Cash Provided by Operating Activities	 <u><u>\$ 4,455</u></u>

The accompanying notes are an integral part of these statements.

CITY OF PORT JERVIS INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED December 31, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Port Jervis Industrial Development Agency (CPJIDA) was created in 1969 by the New York State Legislature under the provisions of Chapter 632 of the Laws of New York State. CPJIDA was established for the purpose of encouraging economic growth in City of Port Jervis, New York (City). Members of the governing board of CPJIDA are appointed by the City Council of the City. CPJIDA is exempt from Federal, State and local income taxes.

Financial Reporting Entity

CPJIDA is a component unit of the City. In accordance with accounting principles generally accepted in the United States of America, CPJIDA's financial statements have been discretely presented in the City's financial statements. CPJIDA shares management personnel with the City.

Basis of Accounting

The accounting policies of CPJIDA conform to generally accepted accounting principles as applicable to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. CPJIDA reports its operations on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Deposits and Risk Disclosure

CPJIDA's investment policies are governed by State statutes. CPJIDA has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. CPJIDA is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

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. 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.

Custodial credit risk is the risk that in the event of a bank failure, CPJIDA's deposits may not be returned to it.

GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Agency's name.

CPJIDA was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between the assets/deferred outflows of resources, and liabilities/and deferred inflows of resources. Net position is reported as restricted only when there are limitations imposed on its use. The Net position of CPJIDA is classified as unrestricted.

Fee Income

CPJIDA charges a service fee for each qualified project tax-exempt bond financing it issues, which is intended to be used for CPJIDA's expenses and to fund continuing operations.

Use of Estimates

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

2. INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes 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 CPJIDA or the State of New York. CPJIDA 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, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, CPJIDA receives bond administration fees from the borrowing companies. The fee received by CPJIDA is one-half of one percent on the first \$10 million of loans and one-eighth of one percent for any amount of borrowing in excess of \$10 million. Such administrative fee income is recognized immediately upon the issuance of bonds and/or notes.

3. RELATED PARTY TRANSACTIONS

The City of Port Jervis provides staff support and office space to CPJIDA without compensation.

SUPPLEMENTAL INFORMATION (UNAUDITED)

Project Code: _____

Please Specify: Bond Project: X

Lease Project: _____

Schedule of Supplemental Information (Bonds/Notes or Straight Lease)

Name of Project: 100 River Road

Project Owner & Address: The Skydyne Company
River Road
Jervis, NY 12771 100
Port

Project Purpose: _____

Federal Tax Status: Taxable: X Tax Exempt: _____

Total Project/Lease Amount: _____ Lease End Date: N/A

Benefited Project Amount: _____

Bond/Note Amount: _____

Assessment: \$ 765,000

Please Check box if applicable:

Non-profit? Y _____ N X New tax revenues if no exemptions granted: _____

Not all data is reported. Letter of explanation attached.

Exemptions

Sales Tax	Real Property Tax	Mortgage Recording	Total Exemptions	Total Exemptions Net of RPTL Sec 485-b Exemptions
State: \$ -	County: \$ 1,900.81	\$ -	\$ 23,074.86	\$ -
Local: \$ -	Local (sum of city/town/village): \$ 5,621.61			
	School: \$ 15,552.44			

Payments in Lieu of Taxes

County	Local (sum of city/town/village)	School	Total PILOTS
\$ 3,924.41	\$ 24,367.15	\$ 35,057.96	\$ 63,349.52

Full-Time Equivalent (FTE) Jobs Created and

# FTE at Project Location Prior to IDA Status	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	# Current FTE	# FTE Construction Jobs Created during Fiscal Year
40	60	40	24	0

Straight Lease: Identify method of financial assistance utilized by project, other than tax exemptions claimed by project. Identify by amount and type:

Project Code: _____

Please Specify: Bond Project: _____

Lease Project: X

Schedule of Supplemental Information (Bonds/Notes or Straight Lease)

Name of Project: 100 Pike Plaza

Project Owner & Address: 3312 Group, LLC
Main Street, Suite 210
Buffalo, NY 14203 295

Project Purpose: _____

Federal Tax Status: Taxable: X Tax Exempt: _____

Total Project/Lease Amount: _____ Lease End Date: N/A

Benefited Project Amount: _____

Bond/Note Amount: _____

Assessment: \$ 1,046,500

Please Check box if applicable:

Non-profit? Y _____ N X New tax revenues if no exemptions granted: _____

Not all data is reported. Letter of explanation attached.

Exemptions

Sales Tax	Real Property Tax	Mortgage Recording	Total Exemptions	Total Exemptions Net of RPTL Sec 485-b Exemptions
State: \$ -	County: \$ 5,515.20	\$ -	\$ 73,760.50	\$ -
Local: \$ -	Local (sum of city/town/village): \$ 26,414.64			
	School: \$ 41,830.66			

Payments in Lieu of Taxes

County	Local (sum of city/town/village)	School	Total PILOTS
\$ 3,676.53	\$ 17,608.45	\$ 27,885.03	\$ 49,170.01

Full-Time Equivalent (FTE) Jobs Created and

# FTE at Project Location Prior to IDA Status	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	# Current FTE	# FTE Construction Jobs Created during Fiscal Year
40	0	40	0	0

Straight Lease: Identify method of financial assistance utilized by project, other than tax exemptions claimed by project. Identify by amount and type:

INDEPENDENT AUDITOR'S 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

March 22, 2018

To the Board of Trustees of the
City of Port Jervis Industrial Development Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of City of Port Jervis Industrial Development Agency (CPJIDA), a discretely presented component unit of City of Port Jervis, New York, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise CPJIDA's basic financial statements, and have issued our report thereon dated March 22, 2018.

Internal Control over Financial Reporting

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

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INDEPENDENT AUDITOR'S 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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CPJIDA'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 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.

Bonadio & Co., LLP