

City of Peekskill Facilities Development Corporation

Financial Statements

Years Ended December 31, 2017 and 2016

City of Peekskill Facilities Development Corporation

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Independent Auditors' Report

The Board of Directors of the City of Peekskill Facilities Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Peekskill Facilities Development Corporation ("FDC") as of and for the years ended December 31, 2017 and 2016 and the related notes to the financial statements which collectively comprise the FDC's 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.

Auditors' 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 auditors' 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 respective financial position of the FDC, as of December 31, 2017 and 2016, and the respective 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 Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge we obtained during our audit of the 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2018 on our consideration of the FDC'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 the effectiveness of the FDC's 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 FDC's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

March 12, 2018

City of Peekskill Facilities Development Corporation
Management's Discussion and Analysis
Years Ended December 31, 2017 and 2016

Compliance and Accountability

The Entity shall be known as the City of Peekskill Facilities Development Corporation ("FDC"). The initial member of the FDC shall be the City of Peekskill Industrial Development Agency ("Agency"), which from time to time shall appoint voting and non-voting members of the Board of Directors. The FDC shall be managed by its Board of Directors, which shall establish all general policies governing its operations. Any Director may be removed from the Board with or without cause by the affirmative vote of a majority of the Members.

Following the passage of the 2005 Public Authority Accountability Act ("PAAA"), the FDC adopted new by-laws, policies and procedures consistent with the PAAA.

The FDC has established its own financial systems separate from those of the City of Peekskill, New York. The FDC has an Executive Director who has the general supervision over the administration of the business and affairs of the FDC. He also serves as compliance officer. The Compliance Officer is responsible for ensuring that the FDC complies with all financial and other reporting requirements imposed by structure, including those requirements in General Municipal Law and the PAAA. The FDC also appoints a Treasurer, a non-voting member, who has the care and custody of all funds of the FDC and keeps regular books of accounts for all its receipts and expenditures. The Treasurer also renders financial reports during each of the FDC's regular meetings.

An Audit Committee of three Board members is responsible for the appointment, compensation and oversight of the public accounting firm. The Audit Committee offers its recommendations to the full Board for action and/or adoption.

Financial Highlights

Change in Net Position

The change in net position was a decrease of \$9,354. The only expenses were part of a grant agreement where the FDC agreed to contribute up to \$15,000 towards a Peekskill shuttle agreement. This represented a greater commitment than the prior year expense of \$3,411.

City of Peekskill Facilities Development Corporation

Comparative Statement of Net Position
December 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	<u>\$ 73,854</u>	<u>\$ 83,208</u>
LIABILITIES AND NET POSITION		
Liabilities		
Unearned revenue	\$ 11,505	\$ 11,505
Net position		
Unrestricted	<u>62,349</u>	<u>71,703</u>
Total Liabilities and Net Position	<u>\$ 73,854</u>	<u>\$ 83,208</u>

See notes to financial statements

City of Peekskill Facilities Development Corporation

Comparative Statement of Activities
Years Ended December 31,

	<u>2017</u>	<u>2016</u>
OPERATING REVENUE		
Grant income	\$ -	\$ 3,411
OPERATING EXPENSES		
Grant expenses	<u>9,452</u>	<u>3,411</u>
Income (Loss) from Operations	(9,452)	-
NON-OPERATING REVENUES		
Interest income	<u>98</u>	<u>65</u>
Change in Net Position	(9,354)	65
NET POSITION		
Beginning of Year	<u>71,703</u>	<u>71,638</u>
End of Year	<u>\$ 62,349</u>	<u>\$ 71,703</u>

See notes to financial statements

City of Peekskill Facilities Development Corporation

Comparative Statement of Cash Flows

Years Ended December 31,

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid for grant expenses	\$ (9,452)	\$ (3,411)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>98</u>	<u>65</u>
Net Change in Cash and Equivalents	(9,354)	(3,346)
CASH AND EQUIVALENTS		
Beginning of Year	<u>83,208</u>	<u>86,554</u>
End of Year	<u>\$ 73,854</u>	<u>\$ 83,208</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO		
NET CASH FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ (9,452)	\$ -
Changes in liabilities		
Unearned revenue	- <u>(3,411)</u>	
Net Cash From Operating Activities	<u>\$ (9,452)</u>	<u>\$ (3,411)</u>

See notes to financial statements

City of Peekskill Facilities Development Corporation

Notes to Financial Statements
December 31, 2017 and 2016

Note 1 - Organization and Purpose

The City of Peekskill Facilities Development Corporation ("FDC") was incorporated under Sections 102 and 1411 of the Not-For-Profit Corporation Law for the purpose of promoting, coordinating and executing programs in the City of Peekskill, New York ("City") aimed at improving the quality of life of the City residents.

The income of the Corporation is excludable from taxation under Section 115(1) of the Internal Revenue Code.

Note 2 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Corporation has been identified as an organization related to the City. In accordance with the criteria enumerated in Governmental Accounting Standards Board ("GASB") Statement No. 61, the Corporation is not considered a component unit of the City.

B. Basis of Accounting

The accounting policies of the FDC conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The FDC 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.

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

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The FDC's deposits and investment policies are governed by State statutes. The FDC 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. The FDC is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

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.

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The FDC follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in

City of Peekskill Facilities Development Corporation

Notes to Financial Statements (Continued) **December 31, 2017 and 2016**

Note 2 - Summary of Significant Accounting Policies (Continued)

active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The FDC does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the FDC does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the FDC'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 FDC's name. The FDC's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2017.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The FDC does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The FDC's investment policy limits the amount on deposit at each of its banking institutions.

Unearned Revenues - Unearned revenues consist of amounts received in advance and/or revenue from grants received before the eligibility requirements have been met. The FDC has reported unearned revenues of \$11,505 as of December 31, 2017 and 2016 for grant funds received in advance of actual expenditures being incurred.

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the FDC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position on the statement of net position is classified as unrestricted.

City of Peekskill Facilities Development Corporation

Notes to Financial Statements (Concluded)
December 31, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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 these estimates.

E. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 12, 2018.

**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**

Independent Auditors' Report

**The Board of Directors of the
City of Peekskill Facilities Development Corporation**

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 City of Peekskill Facilities Development Corporation ("FDC") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the FDC's financial statements, and have issued our report thereon dated March 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the FDC'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the FDC'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 FDC'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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

March 12, 2018