



City of Peekskill Facilities Development Corporation
Financial Statements

Years Ended December 31, 2018 and 2017

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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, 2018 and 2017 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, 2018 and 2017, 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 February 11, 2019 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

February 11, 2019

City of Peekskill Facilities Development Corporation
Management's Discussion and Analysis

Years Ended December 31, 2018 and 2017

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. The Executive Director 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 \$2,323. The only expenses were part of a 2017 grant agreement towards a Peekskill shuttle service agreement. The Peekskill shuttle service was not provided during 2018.

City of Peekskill Facilities Development Corporation

Comparative Statement of Net Position

December 31,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	<u>\$ 71,531</u>	<u>\$ 73,854</u>
LIABILITIES AND NET POSITION		
Liabilities		
Unearned revenue	\$ 11,505	\$ 11,505
Net position		
Unrestricted	<u>60,026</u>	<u>62,349</u>
Total Liabilities and Net Position	<u>\$ 71,531</u>	<u>\$ 73,854</u>

See notes to financial statements

City of Peekskill Facilities Development Corporation**Comparative Statement of Activities**
Years Ended December 31,

	<u>2018</u>	<u>2017</u>
OPERATING REVENUE	\$ -	\$ -
OPERATING EXPENSES		
Grant expenses	<u>2,751</u>	<u>9,452</u>
Loss from Operations	(2,751)	(9,452)
NON-OPERATING REVENUES		
Interest income	<u>428</u>	<u>98</u>
Change in Net Position	(2,323)	(9,354)
NET POSITION		
Beginning of Year	<u>62,349</u>	<u>71,703</u>
End of Year	<u>\$ 60,026</u>	<u>\$ 62,349</u>

See notes to financial statements

City of Peekskill Facilities Development Corporation

Comparative Statement of Cash Flows

Years Ended December 31,

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid for grant expenses	<u>\$ (2,751)</u>	<u>\$ (9,452)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>428</u>	<u>98</u>
Net Change in Cash and Equivalents	<u>(2,323)</u>	<u>(9,354)</u>
CASH AND EQUIVALENTS		
Beginning of Year	<u>73,854</u>	<u>83,208</u>
End of Year	<u>\$ 71,531</u>	<u>\$ 73,854</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Loss from operations	<u>\$ (2,751)</u>	<u>\$ (9,452)</u>

See notes to financial statements

City of Peekskill Facilities Development Corporation

Notes to Financial Statements December 31, 2018 and 2017

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 FDC 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 FDC 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 FDC 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 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, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

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, 2018 and 2017

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, 2018.

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, 2018 and 2017 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, 2018 and 2017

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 February 11, 2019.



**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, 2018, and the related notes to the financial statements, which collectively comprise the FDC's financial statements, and have issued our report thereon dated February 11, 2019.

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
February 11, 2019



City of Peekskill Facilities Development Corporation

Report to Those Charged with Governance

December 31, 2018

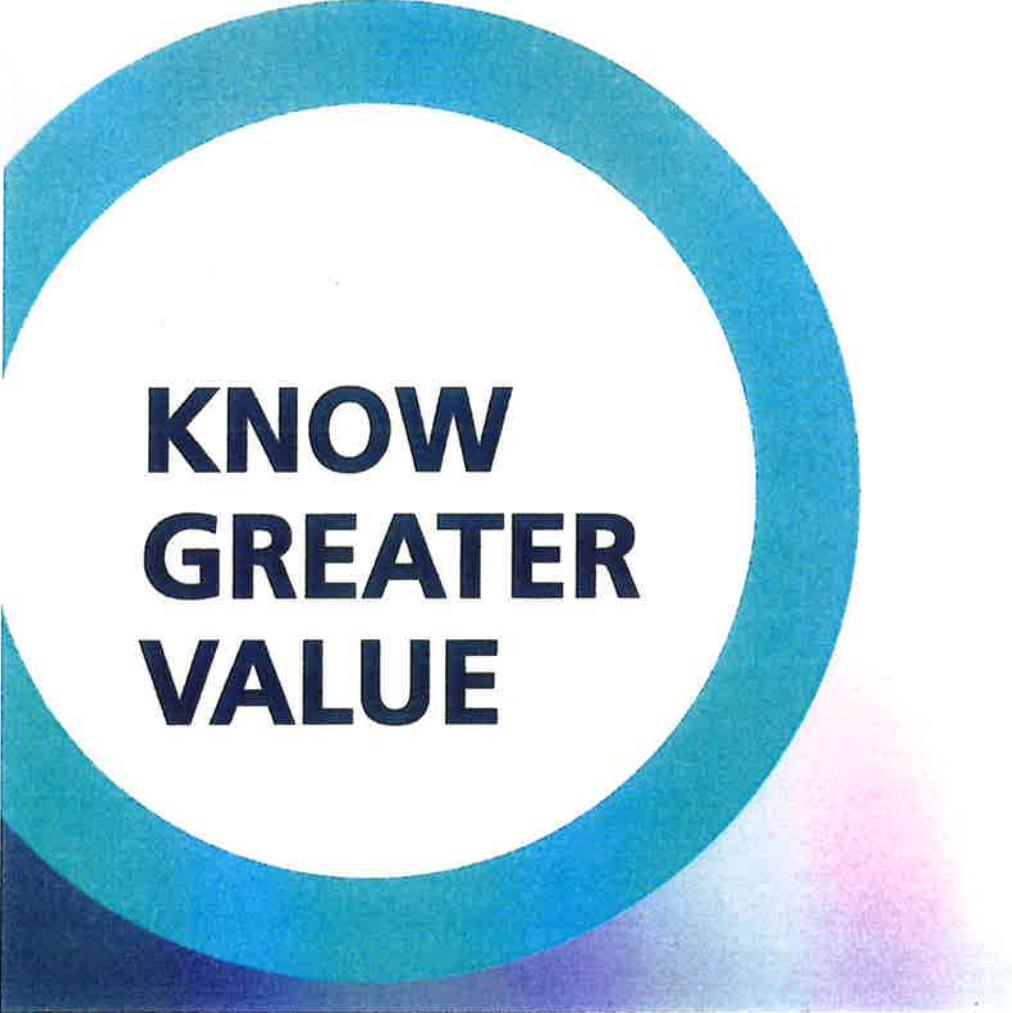
February 11, 2019

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VALUE**

February 11, 2019

The Board of Directors of the
City of Peekskill Facilities Development Corporation
840 Main Street
Peekskill, New York 10566

We have audited the financial statements of City of Peekskill Facilities Development Corporation as of and for the year ended December 31, 2018 and 2017 and have issued our report thereon dated February 11, 2019. Professional standards require us to communicate with you regarding audit matters that are, in our professional judgment, significant and relevant to those charged with governance ("TCWG") in overseeing the financial reporting process. This communication is intended to provide you with these required communications as well as other findings and information regarding our audit.

We are pleased to be of service to you and the City of Peekskill Facilities Development Corporation and appreciate the opportunity to present our audit findings to you. We are also pleased to discuss other matters which may be of interest to you and to answer any questions you may have.

This information is intended solely for the information and use of TCWG and management of the City of Peekskill Facilities Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP

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Appendices

- 1 – Corrected and Uncorrected Misstatements
- 2 – Management Representation Letter
- 3 – About PKF O'Connor Davies, LLP

Status of the Audit

Audit of Financial Statements

- Audit fieldwork is complete.
- The financial statements have been drafted and reviewed by management.
- We have issued an unmodified report on the financial statements.

Required Communications and Other Matters

Required Item	Comments
Auditor's responsibility under professional standards and planned scope and timing of the audit	<p>We have communicated such information in our engagement letter to you dated July 24, 2017. Generally, these responsibilities include:</p> <ul style="list-style-type: none"> • Forming and expressing an opinion on the financial statements. • Obtaining reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud. • Accumulating and communicating uncorrected misstatements to Those Charged with Governance ("TCWG"). • Maintaining professional skepticism. • Communicating audit related matters that are, in our professional judgment, significant to TCWG.
Supplementary information accompanying the financial statements	<p>Our responsibility for the supplementary information accompanying the financial statements is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.</p> <p>With respect to such supplementary information, we made certain inquiries of members of management and evaluated the form, content and methods of preparing the information to determine that the information complies with US GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p>

Required Item	Comments
Other information in documents containing audited financial statements	<p>Our responsibility as auditors for other information in documents containing the audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to determine that such other information is properly stated.</p>
Responsibilities of management and TCWG	<p>Management's responsibilities include:</p> <ul style="list-style-type: none"> • The fair presentation of the financial statements, including the selection of appropriate accounting policies. • Establishing and maintaining effective internal control. • Complying with laws, regulations, grants and contracts. • Providing the auditors with all financial records and related information and a signed representation letter. <p>TCWG are responsible for communicating with the auditors and overseeing the financial reporting process.</p> <p>Both management and TCWG are responsible for:</p> <ul style="list-style-type: none"> • Setting the proper tone at the top. • Designing and implementing policies and controls to prevent and detect fraud.
Qualitative aspects of accounting practices - <i>Accounting Policies</i>	<p>The significant accounting policies are described in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the reporting period that had a significant impact on the financial statements</p> <p>The accounting policies of the Entity conform to U.S. generally accepted accounting principles as applicable to state and local governments. The Entity's reports are based on all applicable GASB pronouncements.</p>
Qualitative aspects of accounting practices – <i>Significant Unusual Transactions</i>	<p>No matters have come to our attention that would require us to inform you about the methods used to account for significant unusual transactions.</p>

Required Item	Comments
Qualitative aspects of accounting practices - <i>Accounting Estimates and Management's Judgment</i>	<p>Accounting estimates made by management are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Actual results could differ from those estimates.</p> <p>Certain accounting estimates are particularly sensitive because of their significance to financial statements and their susceptibility to change. The most sensitive estimates affecting the financial statements are:</p> <ul style="list-style-type: none"> • Estimates of certain receivable balances and allowances for uncollectible amounts • Estimates for certain operating and long-term liabilities <p>Management believes that the estimates used and assumptions made are adequate based on the information currently available. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.</p>
Qualitative aspects of accounting practices - <i>Financial Statement Disclosures</i>	<p>Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements are:</p> <ul style="list-style-type: none"> • Fund balances <p>The financial statement disclosures are consistent and clear.</p>
Difficulties encountered in performing the audit	<p>We encountered no significant difficulties in dealing with management relating to the performance of our audit.</p>
Corrected and uncorrected misstatements	<p>Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management.</p>

Required Item	Comments
Disagreements with management	For purposes of this communication, a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing, which could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of the audit.
Management representations	We have requested certain representations from management that are included in the management representation letter (see Appendix 1).
Management's consultations with other accountants	In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no such consultations with other accountants
Auditor independence	We affirm that PKF O'Connor Davies, LLP is independent with respect to the Entity in accordance with relevant professional standards.
Significant issues discussed with management prior to retention	We generally discuss with management a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Entity and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed and our responses thereto were a condition to our retention as auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Peekskill Facilities Development Corporation ("Entity") internal control over financial reporting ("internal control") as a basis for designing 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 Entity's internal control. Accordingly, we express no such opinion.

Professional standards require that we communicate to you, in writing, all significant deficiencies and/or material weaknesses in internal control that we identify in performing our audit. For this purpose, deficiencies in internal control are categorized as follows:

- 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 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 and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, we share for your consideration on the following pages other observations about the internal control and operations.

This communication is intended solely for the information and use of management and others charged with governance and is not intended to be and should not be used by anyone other than these specified parties. We will be pleased to discuss these communications and comments in further detail at your convenience, or to assist you in implementing the recommendations.

PKF O'Connor Davies, LLP
Harrison, New York
February 11, 2019

City of Peekskill Facilities Development Corporation

Control Deficiencies

None noted.

On the Horizon

GASB Statement No. 84 – *Fiduciary Activities*

In January 2017, GASB issued Statement No. 84 “*Fiduciary Activities*”. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Previously issued guidance lacked the necessary clarity to determine when a government had fiduciary responsibility for a certain activity. This lack of clarity has resulted in a divergence in practice among financial statement preparers and auditors.

GASB Statement No. 84 establishes criteria for identifying fiduciary activities. The focus of the criteria is on (a) whether a government *controls* the assets of the fiduciary activity and (b) the *beneficiaries* with whom a fiduciary relationship exists. A government is considered in control of the assets if the government holds the assets or has the ability to direct the use of the assets in a manner that provides benefits to the specified or intended recipients. The assets also cannot be derived from the government's own source revenues (or from government-mandated or voluntary non-exchange transactions) and must also have one or more of the following characteristics related to whom the assets will benefit:

- 1) Be administered through a trust
- 2) The government itself is not the beneficiary
- 3) Dedicated to providing benefits in accordance with the benefit terms
- 4) Legally protected from the government's creditors for the benefit of individuals and the government has no administrative or direct financial involvement with the asset
- 5) For the benefit of individuals and government has no administrative or direct financial involvement with the assets

An activity meeting the above criteria should be reported in the basic financial statements in one of the following four fiduciary funds, as applicable:

- 1) Pension (and other employee benefit) trust funds
- 2) Investment trust funds
- 3) Private-purpose trust funds
- 4) Custodial funds

Custodial funds should report fiduciary activities that are not reported in one of the first three fiduciary funds noted above. The use of **Agency funds has been eliminated with this Statement and replaced with custodial funds.**

Governments with activities meeting the above criteria will present a Statement of Fiduciary Net Position (i.e., assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) and a Statement of Changes in Fiduciary Net Position (i.e., additions and deductions) for each fiduciary fund type. Previous guidance for agency funds only required the presentation of assets and liabilities, whereas the custodial funds require the same elements as the other fiduciary funds, including net position.

The provisions of this Statement are effective for fiscal years beginning after December 15, 2018 (i.e., the FDC's financial statements for the year ended December 31, 2019) with earlier application encouraged.

GASB Statement No. 87 – *Leases*

Potentially pervasive changes are coming to lease accounting. Under the provisions of GASB Statement No. 87, nearly every lease will be considered a capital lease. While local governments and school districts would most likely be lessees in these kinds of transactions, some might also be involved in transactions where they are the lessor of these assets.

Under this standard, lessees will now be required to recognize in their entity-wide Statement of Net Position a lease liability and an intangible right-to-use lease asset when the lease begins. The intangible asset will be similar to other capital assets by requiring amortization over the life of the lease term, similar to depreciation of tangible capital assets. Also similar to other capital assets, leases will need to be assessed for impairment.

Lessors will do the opposite. Lessors will recognize a lease receivable and a deferred inflow of resources at the start of a lease. The receivable will be reduced and revenue recognized as lease payments are received each year. The lessor will continue to report the capital asset on its own Statement of Net Position.

Governments should review this standard early to anticipate what changes might need to be made to policies, accounting procedures, laws and regulations. The provisions of this Statement are **effective for fiscal years beginning after December 15, 2019 (i.e., the FDC's financial statements for the year ended December 31, 2020) with earlier application encouraged.**

Uniform Guidance Procurement Standards – OMB Extends Procurement Grace Period for One More Year

The Office of Management and Budget (OMB) has updated guidance for the procurement grace period available to non-Federal entities under Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

The update, as included in the Federal Register, allows for an additional one-year grace period for implementation of the procurement standards set forth in the Uniform Guidance (2 CFR 200.317 through 200.326). Including the grace period, the implementation date for the revised procurement standards will be effective for fiscal years beginning on or after December 26, 2017. A non-Federal entity that chooses to take advantage of this grace period must document its choice in its internal records, noting whether it's in compliance with the previous or revised procurement standards.

The new procurement standards apply to procurement of goods and services directly charged to a Federal award. The standards don't apply to indirect costs and procurement of goods and services not charged to a Federal award. The standards have a strong emphasis on procurement methodology to achieve the goals of increased accountability and competition. The changes are designed to better mitigate waste, fraud and abuse.

General Requirements of the New Guidance - The following are the general requirements:

- Non-Federal entities (such as not-for-profit entities and local governments) receiving Federal awards must have their own documented (written) procurement procedures that conform to reflect Federal law, Uniform Guidance standards, and any State laws and regulations.
- Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms of their contracts or purchase orders.
- Non-Federal entities must maintain written conflict-of-interest policies if its employees engage in the selection, award and administration of contracts. No employee, officer or agent may participate in the selection, award, or administration of a contract funded by a Federal award if he or she has an actual or apparent conflict of interest. This also applies to organizational conflicts of interest if the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.
- Non-Federal entities should focus on greater economy and efficiency to promote cost-effective use of services during the procurement process, and must avoid using Federal funds for the acquisition of unnecessary and duplicative items.
- Non-Federal entities must document and maintain records sufficient to detail the history of the procurement steps and activities required to be completed. This includes the rationale for the type of procurement, selection of contract type, and the basis for the contractor selection and price.

Five Methods of Procurement - The Uniform Guidance outlines five methods of procurement:

- **Micro-Purchases:** Purchases that individually do not exceed \$10,000. To the extent practicable, micro-purchases must be distributed equitably among qualified suppliers. No bid or quote process is required.
- **Small Purchases:** Used for purchases up to the Simplified Acquisition threshold, which is currently \$250,000. These include small and informal purchase methods for securing services, supplies, or other property. Price or rate quotes must be obtained from an adequate number of qualified sources.
- **Sealed Bids:** Purchases over \$250,000. Bids are publically solicited and a fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all material terms and conditions of the invitation for bids, is the lowest in price. This method is most commonly used for procurement of construction contracts.
- **Competitive Proposals:** Purchases over \$250,000. This method requires formal solicitation from an adequate number of qualified sources, fixed-price or cost-reimbursement contracts, and is used when sealed bids are not appropriate. Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.
- **Noncompetitive Proposals:** These proposals only apply under unique circumstances. Examples include when an item is available only from one source, when a public emergency does not allow time for a competitive proposal process, when the Federal awarding agency authorizes, or when the competition is deemed inadequate after proper solicitation.

Proposed Changes to Government Auditing Standards

The U.S. Government Accountability Office has proposed changes to the Government Auditing Standards. These changes will be the first changes since 2011 and are designed to ensure the standards continue to meet the needs of the federal, state and local government communities and the public these bodies serve. The following significant new audit requirement was added to the 2017 exposure draft (proposed new standards):

As part of an audit under Government Auditing Standards, if auditors become aware of waste or abuse that could be quantitatively or qualitatively material to the financial statements, auditors should perform additional audit procedures to ascertain the potential effect on the financial statements.

Included in the application guidance are these definitions:

Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose. Waste involves the taxpayers not receiving reasonable value for money in connection with any government-funded activities because of an inappropriate act or omission by parties with control over or access to government resources. Importantly, waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

Abuse is behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances, but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Because the determination of abuse is subjective, auditors are not required to perform procedures to detect abuse in financial audits. Auditors may discover that abuse is indicative of fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements.

New Rules for Auditor Involvement in Exempt Offering Documents

In July 2017, the Auditing Standards Board released Statement on Auditing Standards No. 133 *Auditor Involvement With Exempt Offering Documents*. This addresses the auditor's responsibilities when the auditors' report on the financial statements is included, or incorporated by reference, in an exempt offering document such as for municipal bond offerings AND the auditor is considered "involved" in the exempt offering document.

An auditor is considered involved in an exempt offering document if the auditor:

1. assists the entity in preparing information (in addition to the financial statements) that will be included in the document,
2. reads a draft of the exempt offering document at the entity's request,
3. auditor issues a comfort or similar letter or an agreed-upon procedures report on information included in the exempt offering document,
4. participates in due diligence discussions with underwriters, placement agents, broker-dealers, or other financial intermediaries in connections with the exempt offering,

5. issues any attestation report on information relating to the exempt offering,
6. provides written agreement for the use of an auditors' report in the exempt offering,
7. updates an auditors' report for inclusion in the exempt offering document

When the auditor is considered involved, the auditor is required to do additional procedures outside the scope of the audit. These steps include reading the offering document in order to identify material inconsistencies with the audited financial statements. The auditor must also perform procedures to review events subsequent to the issuance of the audit report and up to the issuance of the exempt offering document. Finally, the auditor must obtain written representations from management.

This should be done before the offering document is released.

Although this standard is not effective until June 15, 2018, it is very similar to what was formally included in the AICPA's Audit and Accounting Guide: *State and Local Governments*.

Appendix 1

Management Representation Letter



CITY OF PEEKSKILL DEPARTMENT OF FINANCE

February 11, 2019

PKF O Connor Davies, LLP
500 Mamaroneck Avenue Suite 301
Harrison, New York 10528

This representation letter is provided in connection with your audit of the financial statements of the City of Peekskill Facilities Development Corporation, New York, as of December 31, 2018, and the respective changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, (having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves) as of the date of this letter, the following representations made to you during your audit.

Our Responsibilities

- 1) We acknowledge that we have fulfilled our responsibilities for:
 - a) The preparation and fair presentation of the financial statements in accordance with US GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
 - b) 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; and
 - c) The design, implementation, and maintenance of internal control to prevent and detect fraud.
- 2) We understand that the term "fraud" refers to intentional acts by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements. Two types of intentional misstatements are relevant to your audit – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Fraudulent financial reporting involves intentional misstatements, including omissions of amounts or disclosures in financial statements to deceive financial statement users. Misappropriation of assets involves the theft of an entity's assets.
- 3) We acknowledge our responsibility for presenting financial statements and schedules in accordance with US GAAP, and we believe the financial statements and schedules, including its form and content, is fairly presented in accordance with US GAAP. The methods of measurement and presentation of the financial statements and schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Financial Statements

- 4) The financial statements referred to above are fairly presented in conformity with US GAAP and include all disclosures necessary for such fair presentation. In that connection, we specifically confirm that:
 - a) The City of Peekskill Facilities Development Corporation's accounting policies, and the practices and methods followed in applying them, are appropriate and are as disclosed in the financial statements.
 - b) There have been no changes during the period audited in the City of Peekskill Facilities Development Corporation's accounting policies and practices.
 - c) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) The City of Peekskill Facilities Development Corporation does not participate in a pension or OPEB plan.
- 7) The following, where they exist, have been appropriately disclosed to you and accounted for and/or disclosed in the financial statements in accordance with the requirements of US GAAP:
 - a) The identity of all related parties and related party relationships and transactions including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b) Guarantees, whether written or oral, under which the City of Peekskill Facilities Development Corporation is contingently liable, if any.
 - c) The effects of all known actual, possible, pending or threatened litigation, claims, and assessments.
 - d) The identity of the City of Peekskill Facilities Development Corporation's related parties and all the related party relationships and transactions of which we are aware.
- 8) We have evaluated events subsequent to the date of the financial statements through the date of this letter, and no such events have occurred which would require adjustment or disclosure in the financial statements. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Information Provided

- 9) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, if applicable.
 - c) Additional information that you have requested from us for the purpose of the audit.
 - d) Unrestricted access to persons within the City of Peekskill Facilities Development Corporation from whom you determined it necessary to obtain audit evidence.
 - e) Completeness and availability of all minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 10) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 11) There are no deficiencies in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the City of Peekskill Facilities Development Corporation's ability to initiate, authorize, record, process, and report financial data reliably in accordance with US GAAP.
- 12) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.

- 13) We have no knowledge of any allegations of fraud or suspected fraud affecting the City of Peekskill Facilities Development Corporation's financial statements communicated by employees, former employees, regulators, or others.
- 14) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 15) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

Government—specific

- 16) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 17) The City of Peekskill Facilities Development Corporation has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 18) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 19) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 20) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 21) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 22) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 23) As part of your audit, you assisted with preparation of the financial statements and related. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably with senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 24) The City of Peekskill Facilities Development Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 25) The City of Peekskill Facilities Development Corporation has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 26) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 27) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 28) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.

29) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

30) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

31) Investments and land are properly valued.

32) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.

33) Provisions for uncollectible receivables have been properly identified and recorded.

34) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

35) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

36) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

37) Deposits and investment securities are properly classified as to risk and are properly disclosed.

38) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

39) Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.

40) We have appropriately disclosed the City of Peekskill Facilities Development Corporation policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

41) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

42) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

43) Expenditures of federal awards were below the \$750,000 threshold for the year ended December 31, 2018, and we were not required to have an audit in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance").

Signature:

Title: Deputy Comptroller

Appendix 2

About PKF O'Connor Davies, LLP

FIRM OVERVIEW

Founded in 1891, PKF O'Connor Davies has evolved from an accounting firm to a corps of high-caliber professionals that delivers to a global and growing client base a complete range of audit, tax and advisory services as well as insights and expertise at the highest level. As our business has grown, our commitment to active value creation has allowed us to connect our clients to sound business advice, key players and resources across diverse industries.

An Acknowledged Global Leader

Not only are we one of the nation's most rapidly growing accounting and advisory firms, we are also the lead North American firm in the growing PKF global network of independent accounting and advisory firms. This enables us to provide clients with preferred access to top-tier experts and firms in over 400 locations, in 150 countries around the world. It also establishes us as the primary referral point for international businesses with needs in North America, an advantage for our domestic clients seeking connections outside the U.S.

Active Partner Involvement Dedicated Engagement Teams

We have built strong relationships with our clients by being proactive, thorough and efficient. Firm partners are involved in the day-to-day management of engagements, ensuring a high degree of client service and cost effectiveness. Multi-disciplinary teams ensure solutions are customized to address specific needs and integrated for greater efficiency.

A Higher Standard: Beyond Passive Value Calculation to Active Value Creation

Our focus on value has driven our growth, propelling PKF O'Connor Davies to the Top 29 on *Accounting Today's* 2018 "Top 100 Firms" list and gaining us acclaim as one of the country's fastest-growing firms. With unmatched client focus, we unlock genuine value hidden at key connection points in every engagement within regional, national and international arenas. Through these connections, our team of specialists continually drives efficiencies, uncovers opportunities and manages risk – delivering value where others can't.

Industry Recognition

- **Ranked 29 of "2018's Top 100 Firms"**
– *Accounting Today*, 2018
- **Ranked 7 of the "Top Firms in the Mid-Atlantic"**
– *Accounting Today*, 2018
- **Ranked 11 of "New Jersey's Top Accounting Firms"**
– *NJBIZ*, 2017
- **"Tax Advice Award"**
– *Family Wealth Report Awards*, 2018
- **"Best Multi-Family Office – Client Service – Over \$2 Billion"**
– *Private Asset Management Awards*, 2018
- **"Best Private Client Audit Firm"**
– *Private Asset Management Awards*, 2017
- **"Best Reporting Solution Award"**
– *Private Asset Management Awards*, 2016
- **"Best Places to Work in New Jersey"**
– *NJBIZ*, 2018
- **Ranked 22 of the 50 "Best Accounting Employers to Work for in North America"**
– *Vault*, 2018

KNOW GREATER VALUE™

Agility, Responsiveness and Recognition

Since our founding, PKF O'Connor Davies has maintained its commitment to gaining a deep understanding of each client's operations and financial history in order to help meet their every challenge and objective. We fulfill this mission by providing resources that match those of larger firms in scope – but with the agility only a mid-sized firm such as ours can demonstrate...and yet, we still rank among them. Our services include:

Accounting and Assurance Services

- Accounting Outsourcing
- Agreed-Upon Procedures (AUPs)
- Audits, Reviews and Compilations
- Employee Benefit Plans
- Government Entity Audits & Compliance
- International Financial Reporting Standards (IFRS)
- IT Audit & Cybersecurity Reviews
- Public Company Accounting Oversight Board (PCAOB)

Tax Compliance and Planning Services

- Employee Benefit Planning & Tax Compliance
- International Tax Services
- IRS Representation & Tax Controversies
- Personal Financial Planning
- Private Foundation Services
- State and Local Tax (SALT)
- Tax Compliance & Reporting
- Tax-Exempt Organizations
- Tax Research and Strategic Planning
- Trust and Estate Planning

Advisory Services

- Bankruptcy & Restructuring
- Management Advisory Services
- Risk Advisory Services
- Specialty Industry Advisory Services
 - Employee Benefit Plan Services
 - Entrepreneurial Business Advisory Solutions
 - Government & Public Sector Advisory Services
 - Healthcare Advisory Services
 - Hospitality Advisory Services
- Transaction & Financial Advisory Services
- Wealth Services

Family Office Services

- Accounting & Reporting
- Advisory
- Charitable Giving
- Investment Monitoring & Oversight
- Lifestyle Support
- Personal Financial Management
- Tax Planning
- Wealth Planning

We offer an exceptional breadth of advisory services across diverse industries and sectors.



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