

Mount Vernon Industrial Development Agency
(A Component Unit of the City of Mount Vernon, New York)

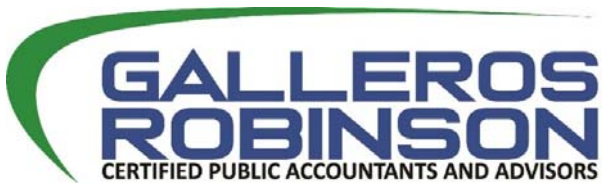
Financial Statements and Supplementary Information

December 31, 2018

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

December 31, 2018

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Independent Auditor's Report

**Board of Directors
Mount Vernon Industrial Development Agency
Mount Vernon, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Mount Vernon Industrial Development Agency (the Agency), a component unit of the City of Mount Vernon, New York, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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.

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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

Basis for Disclaimer of Opinion

We were unable to obtain written representations from management of the Agency as required by generally accepted auditing standards.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Emphasis of a Matter

We draw attention to Note 1 in the notes to financial statements which describes that these financial statements present only the Agency and do not purport to, and do not, present fairly the financial position of the City of Mount Vernon, New York as of December 31, 2018 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 4 to 6, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Mount Vernon Industrial Development Agency, a component unit of the City of Mount Vernon, New York's basic financial statements. The Schedule of Indebtedness and Schedule of Supplemental Information on pages 22 to 24 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Indebtedness and Schedule of Supplemental Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the number of current full time employees, information upon which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2020, on our consideration of the Mount Vernon Industrial Development Agency, a component unit of the City of Mount Vernon, New York'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 Mount Vernon Industrial Development Agency's internal control over financial reporting and compliance.

Galleros Robinson CPAs, LLP

Cream Ridge, New Jersey
May 29, 2020

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY

(A Component Unit of the City of Mount Vernon, New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

For the year ended December 31, 2018

The following "Management's Discussion and Analysis" report ("MD&A") provides the reader with an introduction to and overview of the financial activities and performance of the Mount Vernon Industrial Development Agency (the Agency) for the years ended December 31, 2018 and 2017, as mandated by GASB No. 34. This information should be reviewed in conjunction with the Agency's audited financial statements.

	<u>2018</u>	<u>2017</u>	<u>Change</u>
ASSETS			
Current Assets	\$ 3,313,957	\$ 3,766,529	\$ (452,572)
Capital Assets	<u>1,589,345</u>	<u>1,644,995</u>	<u>(55,650)</u>
Total Assets	<u>4,903,302</u>	<u>5,411,524</u>	<u>(508,222)</u>
LIABILITIES			
Current Liabilities	<u>1,468,678</u>	<u>1,368,448</u>	<u>100,230</u>
NET POSITION			
Net Investment in Capital Assets	1,589,345	1,644,995	(55,650)
Unrestricted	<u>1,845,279</u>	<u>2,398,081</u>	<u>(552,802)</u>
Total Net Position	<u>\$ 3,434,624</u>	<u>\$ 4,043,076</u>	<u>\$ (608,452)</u>
	<u>2018</u>	<u>2017</u>	<u>Change</u>
REVENUES			
Administrative fees and others	\$ 592,813	\$ 535,074	\$ 57,739
Rental Income	296,469	102,051	194,418
Payment in Lieu of Taxes	1,054,180	1,102,492	(48,312)
Late fees	<u>1,356</u>	<u>8,811</u>	<u>(7,455)</u>
Total Revenues	1,944,818	1,748,428	196,390
EXPENSES			
Professional Service Contracts	236,116	313,626	(77,510)
Administrative Expenses	1,007,860	1,710,386	(702,526)
PILOT Obligation to Other Jurisdictions	1,055,536	1,111,303	(55,767)
Depreciation Expense	<u>59,338</u>	<u>55,911</u>	<u>3,427</u>
Total Expense	<u>2,358,850</u>	<u>3,191,226</u>	<u>(832,376)</u>
Changes in Net Position	<u>\$ (414,032)</u>	<u>\$ (1,442,798)</u>	<u>\$ 1,028,766</u>

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
For the year ended December 31, 2018

For details of the Agency's finances, see the accompanying financial statements and notes thereof.

FINANCIAL POSITION SUMMARY

Net position serves as an indicator of the Agency's financial position. The Agency's net position was \$3,629,044 and \$4,043,076 at December 31, 2018 and 2017, respectively

FINANCIAL STATEMENTS

The Agency's financial statements are prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The Agency is structured as a proprietary fund. It is a component unit of the City of Mount Vernon, New York.

NOTES TO FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

CURRENTLY KNOWN FACTS, DECISIONS, AND CONDITIONS

In 2018, the Mount Vernon Industrial Development Agency (MVIDA) played a non-assertive role in the financial prosperity and health of the city. In another year when the city's budget was starved by political infighting, the Agency stayed stable, but did nothing to elevate its value and brand.

The Mayor had to go to court in June of 2017 to obtain an injunction ordering the City Council and Comptroller from "disrupting, obstructing or interfering" with salaries and the provision of municipal services. The legal issues continued in 2018 and many departments have had funds withheld by the Comptroller and did not have enough money to operate.

Two PILOT projects were finalized by the IDA and got under way in 2018:

- The 22 South West PILOT project, in April 2018, and
- The ACE Natural/Exit 8 Hutch LLC PILOT project, at the end of April 2018.
- Oakwood Terrace was not completed, lacking a Cost Benefit Analysis.
- The Pointe development project stood still.

In September 2018 the Agency adopted a Revised Mission Statement to better describe the Agency's goals;

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
For the year ended December 31, 2018

CURRENTLY KNOWN FACTS, DECISIONS, AND CONDITIONS (CONTINUED)

These highlights reflect the minimized efforts of MVIDA under Eileen Mildenberger and staff to execute the Agency's mission of attracting, creating, and supporting economic development in the City of Mount Vernon.

Disorganized and inaccurate record keeping on the part of the previous administration continued to pose challenges. Even with the devotion of extensive time and energy, the 2016 and 2017 Annual Audits were only completed and adopted in October 2017 and September 2018 respectively. The installation of new and better software, accompanied by more skilled accounting and bookkeeping professionals, has improved the Agency's situation for 2019.

Prepared by:

Marilyn Crawford
President

FINANCIAL STATEMENTS

**MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE CITY OF MOUNT VERNON, NEW YORK)**

STATEMENT OF NET POSITION

DECEMBER 31, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,857,640
Cash - restricted	926,936
Cash held in escrow by counsel	163,983
Payment-in-lieu of taxes receivables	98,551
Rent receivables	420,858
Other receivables	39,743
Prepaid expenses	<u>666</u>
Total Current Assets	<u>3,508,377</u>

Noncurrent Assets:

Land	245,000
Buildings and equipment, net of accumulated depreciation of \$875,749	<u>1,344,345</u>
Total Noncurrent Assets	<u>1,589,345</u>

Total Assets \$ 5,097,722

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	\$ 107,947
Unearned revenue	30,138
Due to other governments	403,657
Security deposits	<u>926,936</u>
Total Current Liabilities	<u>1,468,678</u>

NET POSITION

Net investment in capital assets	1,589,345
Unrestricted	<u>2,039,699</u>
Total Net Position	<u><u>\$ 3,629,044</u></u>

See accompanying notes to financial statements.

**MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE CITY OF MOUNT VERNON, NEW YORK)**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2018

OPERATING REVENUE

Administrative fees and others	\$ 592,813
Rent income	296,469
Total Operating and Administrative Revenues	<u>889,282</u>

OPERATING EXPENSES

Salaries and wages	555,008
Payroll taxes	41,855
Pension	8,383
Insurance	10,070
Consultants	127,744
Travels and meetings	116,283
Legal fees	216,116
Audit fee	20,000
Office expenses	22,808
Marketing and advertising	111,451
Miscellaneous	14,258
Depreciation	59,338
Total Operating Expense	<u>1,303,314</u>

OPERATING LOSS (414,032)

NON-OPERATING REVENUE

Payment-in-lieu of taxes (PILOT)	1,054,180
Late fees	1,356
Total Non-Operating Revenues	1,055,536

NON-OPERATING EXPENSE

PILOT Obligation to Other Tax Jurisdictions	<u>1,055,536</u>
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NON-OPERATING LOSS

CHANGE IN NET POSITION (414,032)

NET POSITION AT BEGINNING OF YEAR 4,043,076

NET POSITION AT END OF YEAR \$ 3,629,044

See accompanying notes to
financial statements.

**MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE CITY OF MOUNT VERNON, NEW YORK)**

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from providing services	\$ 680,005
Payments to vendors	<u>(1,375,885)</u>
Net cash provided by operating activities	(695,880)

CASH FLOWS FROM NON-OPERATING ACTIVITIES

Cash collected in-lieu of taxes	936,240
Cash transferred to other jurisdictions	<u>(772,268)</u>
Net cash provided by nonoperating activities	163,972

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of capital assets	<u>(3,688)</u>
Net cash provided by investing activities	(3,688)

NET DECREASE IN CASH AND CASH EQUIVALENTS (535,596)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 2,393,236

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 1,857,640

**RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED
BY OPERATING ACTIVITIES**

Operating loss	\$ (414,032)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	59,338
Changes in Assets and Liabilities:	
Increase in rent receivables	(196,645)
Decrease in other receivables	(12,632)
Increase in prepaid expenses	7,360
Increase in accounts payable and accrued expenses	<u>(139,269)</u>
Net cash provided by operating activities	<u>\$ (695,880)</u>

See accompanying notes to financial statements.

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

1. Organization and Purpose

The Mount Vernon Industrial Development Agency in Mount Vernon, New York ("Agency") is a public benefit corporation established June 28, 1977, under the terms of Article 18-A, "New York State Industrial Development Agency Act" of New York State general municipal law.

The New York State Industrial Development Agency Act allows for an IDA board composition of five to upwards of nine members. The Agency Board, in particular, continues to be comprised of five (5) members, including the statutory member and chairperson, the Mayor of the City of Mount Vernon. Per Section 2 of the Agency Bylaws, the remaining Agency board members are not appointed by the legislature of the City of Mount Vernon but rather by the Mayor in his capacity as the Agency Board Chair. At present, the Agency Board of Directors is chaired by Mayor Richard Thomas, its statutory Board Member, and comprised of four (4) non-statutory Board members who are appointed by, and serve at the pleasure of, the Board Chairman. Accordingly, the Agency is considered a component unit of the City of Mount Vernon, New York.

The Agency was established to promote and assist in acquiring or constructing various business and recreational facilities and, in the process, advance job opportunities, health, general prosperity and economic welfare of the people of the City of Mount Vernon.

The Agency's function is to authorize the issuance of industrial revenue bonds and to provide property, mortgage, and sales tax exemptions in order to promote economic development. The Agency reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The Agency receives application fees from applicants and closing fees from those accepted for industrial revenue financing, such fees are recorded when earned.

Agency administrative fees are recognized upon transfer of property during the accrual period. Closing fees on transfer agreements are recognized when earned. Expenses are recognized when incurred.

2. Summary of Significant Accounting Policies

a. Basis of Presentation

The Agency is considered a component unit of the financial reporting entity known as the City of Mount Vernon, New York. Inclusion in the financial reporting entity, City of Mount Vernon, New York (the "City"), is determined based on financial accountability as defined by GASB Statement No. 14, as amended, "The Financial Reporting Entity". Component units are legally separate entities for which the City of Mount Vernon, New York, is financially accountable. The Agency is considered a proprietary fund.

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. Summary of Significant Accounting Policies (Continued)

a. Basis of Presentation (continued)

The accompanying financial statements present only the activities of the Agency and do not purport to, and do not, present fairly the financial position of the City as of December 31, 2018 and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

b. Government-wide Financial Statements

The Statement of Net Position presents the financial position of the Agency at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of the Agency's functions are offset by operating revenues. Direct expenses are those that are clearly identifiable with the Agency's functions. Operating revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services or privileges provided by the Agency and (2) grants and contributions that are restricted to meeting the operational or capital requirements of the Agency. Other items not identified as operating revenues are reported as nonoperating revenues.

c. Fund Financial Statements

The accounts of the Agency are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Agency maintains the minimum number of funds consistent with legal and managerial requirements. Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the statements or the page following, which briefly explains the adjustments necessary to transform the fund based financial statements into the government-wide financial statements presentation. The Agency's resources are reflected in the financial statements in an enterprise fund, in accordance with generally accepted accounting principles.

The Enterprise Fund are utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Agency is that the cost (i.e. expenses including depreciation and indirect costs) of providing services on a continuing basis be financed or recovered primarily through user charges; or where the Agency has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. Summary of Significant Accounting Policies (Continued)

c. Fund Financial Statements (continued)

Enterprise are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

d. Measurement Focus and Basis of Accounting

Measurement Focus - Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. The Statement of Net Position is presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting adjectives are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and all liabilities, whether current or noncurrent, associated with their activities are included on the statement of financial position. Fund equity (i.e., net total assets) is classified as net position.

Basis of Accounting - The financial statements of the Agency have been prepared in conformity with generally accepted Accounting principles (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under standards set by GASB, the Agency is considered a proprietary fund. Proprietary fund financial statements are prepared on the accrual basis of accounting, which records the financial effects of transactions and other events when these transactions and events occur. Revenues are recognized when they are earned and expenses are recognized when they are incurred. The measurement focus is the flow of economic resources.

e. Cash and Equivalents, Investment and Risk Disclosure

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 Agency's deposits and investment policies are governed by New York State statutes.

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. Summary of Significant Accounting Policies (Continued)

e. Cash and Equivalents, Investment and Risk Disclosure (continued)

Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Agency is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Cash and Equivalents (continued) - 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. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipal and school district subdivisions.

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 Agency 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 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 Agency 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 Agency 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 Agency'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. The Agency's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2018.

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. Summary of Significant Accounting Policies (Continued)

e. Cash and Equivalents, Investment and Risk Disclosure (continued)

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 Agency 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 Agency's investment policy limits the amount on deposit at each of its banking institutions.

f. Restricted Cash

Certain assets were classified as restricted because their use was limited. Restricted cash served as collateral to fund any shortfalls in Payment-in-lieu of taxes (PILOT) payments.

g. Cash Held in Escrow

Cash held in escrow represents collection of lease payments in arrears that were received by the Agency's counsel on behalf of the Agency.

h. PILOT Receivables

PILOT receivables include amount due from payment-in-lieu of taxes recipients as of the fiscal year end.

i. Other Receivables

Other receivables include amounts due from clients for lease, transaction fees, agency fees and administrative fees provided by the Agency. Receivables are recorded and revenues recognized as earned. Allowances are recorded when appropriate.

j. Capital Assets

Capital assets, which are comprised of land and other non-depreciable property, are reported in the Statement of Net Position. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. Summary of Significant Accounting Policies (Continued)

k. Unearned Revenues

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenues received in advance and/or grants received before the eligibility requirements have been met.

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Agency had reported unearned revenues of \$84,152 at December 31, 2017 for an advance for payment-in-lieu of taxes. Such amounts were deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

l. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of December 31, 2018, no amounts were required to be reported as deferred outflows/inflows of resources.

m. Revenue Recognition

Operating revenues consists of fee income from application fees from applicants, annual agency fee and one-time transaction fees for approved PILOT agreements. These fees are recognized when earned.

Rental income under operating leases are charged to the income statement whereby any contractual rent increases over the term of a lease are recognized in income evenly over the term of the lease. The difference between the amount recorded as revenue under the straight-line method and cash rents received is included in receivables. Contractual penalty/interest on delinquent rental are also recognized as they become due.

Payment in-lieu of taxes (PILOT) revenue pertain to contracted annual payments to the agency upon removal of the property from the tax roll. Payments collected by the Agency are then distributed to the tax jurisdictions based on a pre-determined allocation issued by the State of New York.

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. Summary of Significant Accounting Policies (Continued)

n. 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 their use. Net position on the Statement of Net Position includes net investment in capital assets. The balance is classified as unrestricted.

o. 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, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements.

Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

p. Subsequent Events

The Agency evaluated subsequent events for disclosure and/or recognition in the financial statements from December 31, 2018, and through May 29, 2020, the date on which the financial statements were approved for issuance.

3. New Government Accounting Standards Board (GASB) Statements

GASB Statements Issued and Adopted for The Year Ended December 31, 2018

GASB Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. The Agency is currently evaluating the impact of adopting the Statement. The adoption of these standards did not have an effect on the Agency since the Agency do not have these transactions.

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

3. New Government Accounting Standards Board (GASB) Statements (Continued)

***GASB Statements Issued and Adopted for The Year Ended December 31, 2018
(continued)***

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Agency do not have debt instrument. Therefore, the adoption of this standard did not have an effect on the Agency’s financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Agency does not have post-employment benefit. Therefore, the adoption of the Statement did not have an effect on its financial statements.

GASB Statements Issued but Not Yet Adopted for The Year Ended December 31, 2018

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Agency is currently evaluating the impact of adopting the Statement.

GASB 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. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

3. New Government Accounting Standards Board (GASB) Statements (Continued)

***GASB Statements Issued but Not Yet Adopted for The Year Ended December 31, 2018
(continued)***

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Agency is currently evaluating the impact of adopting the Statement.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Agency is currently evaluating the impact of adopting the Statement.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Agency is currently evaluating the impact of adopting the Statement.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Agency is currently evaluating the impact of adopting the Statement.

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

4. Receivables

Receivables at December 31, 2018 are composed of the following:

PILOT Receivables	\$ 98,551
Rent receivables	420,858
Other agency receivables	<u>39,743</u>
	<u>\$ 559,152</u>

5. Capital Assets

Buildings and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets which range from 3-40 years.

Capital assets consisted of the following at December 31:

Land	\$ 245,000
Buildings and Equipment	<u>2,220,094</u>
Total Cost	2,465,094
Less: Accumulated Depreciation	<u>875,749</u>
Net Capital Assets	<u>\$ 1,589,345</u>

Depreciation expense amounted to \$59,338 for the year ended December 31, 2018.

6. Accounts Payable and Accrued Liabilities

At December 31, 2018, accounts payable and accrued liabilities consisted primarily of professional services amounted to \$107,947.

7. Industrial Development Revenue Bonds Transactions

Industrial development revenue bonds that can be issued by the Agency are secured by property which is leased to companies and is retired by lease payments. The bonds are not obligations of the Agency. The Agency does not record assets or liability resulting from completed bond issues in its accounts since its primary function is to arrange financing between the borrowing companies and the bond holders, and fund arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds. There was no industrial development

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

7. Industrial Development Revenue Bonds Transactions (continued)

revenue bonds issued by the Agency nor industrial development revenue bonds outstanding as of and for the year ended December 31, 2018.

8. Lease Commitments

The Agency has three long-term noncancelable operating leases. Rent income related to the leases including penalties for the year ended December 31, 2018 amounted to \$296,469.

Minimum future lease collections of the lease for the next five years and thereafter are as follows:

2019	\$	72,806
2020		74,794
2021		76,836
2022		78,935
2023		81,091
Thereafter		1,050,287

9. Litigation

In the normal course of business, there are a number of actions against the Agency that involve personal injury and/or contractual disputes between the plaintiffs and the project beneficiary. In such case, the Agency has been indemnified by the project beneficiary, and in the opinion of the Agency's management, the project beneficiary has insurance in place to mitigate any losses that may ultimately result from the resolution of such litigation. While Agency has been named in these actions, the opinion of Management based upon consultation with legal counsel, the ultimate resolution of such litigation matters should not result in any liability to the Agency.

10. Contingency

The Agency is in dispute with a vendor for various unpaid invoices and breach of contract related to building inspection services. As of audit report date, the Agency is still in dispute, seeking additional documentation to support the vendor's claims and has not recorded any liability for the year ended December 31, 2018, which may have a potential liability of approximately \$642,000.

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Mount Vernon, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

11. Subsequent Events

In 2019, then City Mayor and Chairman of the Agency's Board of Directors, Mayor Richard Thomas was removed from office pursuant to the Public Officers Law. Shortly after Mayor Thomas' removal, Acting Mayor Andre Wallace dismissed the staff and all members of the Board of Directors of the Agency. Then on January 4, 2020, Mayor Shawyn Patterson-Howard assumed office and the Chairwomanship of the Agency. Due to these series of events, the Agency failed to timely complete their audited financial statements for the year ended December 31, 2018, placing it on the "revoked authority" list maintained by the New York State Authorities Budget Office.

One of the requirements to conclude the 2018 audit is to obtain a management representation letter as required by the generally accepted auditing standards related to the following:

- Management has fulfilled its responsibility for the preparation and fair presentation of the financial statements in accordance with GAAP and for 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;
- Management has provided the auditor with all relevant information and access to information' and
- All transactions have been recorded and are reflected in the financial statements.

On a letter through its legal counsel, dated May 29, 2020, the Agency's current Board and its Management has expressed that "they are not in a position to make any representation regarding the financial statements for the year ended December 31, 2018 or the previous acts or representations of the previous administration, since (a) no member of the Board of Directors began serving in their position until 2020 and (b) the Agency has no staff since August 1, 2019".

OTHER SUPPLEMENTAL INFORMATION

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Indebtedness (Unaudited)

For the Year Ended December 31, 2018

Project Name	Original Issue Amount	Original Issue Date	Interest rate	Outstanding Balance at 1/1/2018	New Issurance in 2018	Principal Payments in 2018	Outstanding Balance at 1/1/2018	Final Maturity Date
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No indebtedness to report

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Supplemental Information (Unaudited)

For the Year Ended December 31, 2018

	<u>American Christmas</u>	<u>Blue Rio/203 Gramatan</u>	<u>Dominican Magic</u>	<u>Enclave on 5th</u>	<u>Grace Plaza</u>	<u>Grace Terrace</u>	<u>Grace Towers Housing II</u>
Real Property Tax Exemptions*:							
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Property Tax	<u>166,988</u>	<u>607,896</u>	<u>76,354</u>	<u>136,930</u>	<u>43,562</u>	<u>182,095</u>	<u>287,655</u>
TOTALS	\$ 166,988	\$ 607,896	\$ 76,354	\$ 136,930	\$ 43,562	\$ 182,095	\$ 287,655
Payments in Lieu of Taxes (PILOTS) Remittances							
County	\$ 5,313	\$ 6,773	\$ -	\$ 3,493	\$ 4,745	\$ 5,530	\$ 10,325
Local	15,497	22,475	-	10,189	13,839	16,127	30,114
School	<u>34,534</u>	<u>50,252</u>	<u>-</u>	<u>22,784</u>	<u>30,948</u>	<u>36,064</u>	<u>67,342</u>
	\$ 55,344	\$ 79,500	\$ -	\$ 36,466	\$ 49,532	\$ 57,721	\$ 107,781
Full-time Equivalent Jobs Created & Retained**							
# FTEs before IDA status	-	-	15	-	-	-	-
Original Estimate of Jobs to be Created	20	305	42	-	-	30	10
Original Estimate of Jobs to be Retained	-	-	15	-	-	-	-
Current # of FTEs	62	3	16	4	1	1	3
# of FTE Jobs Created During Fiscal Year	-	-	-	-	-	-	-
#of FTE Construction Jobs During Fiscal Year	-	-	-	-	-	-	-
Net Employment Change (ie, from project inception)	62	3	-	4	1	1	3

* Real Property Tax Exemptions indicate the total amount for which a project would have been liable if the project occurred but the IDA was not involved.

** PARIS amounts may differ due to software constraints.

*** 2018 PILOT for Macedonia Towers paid directly to City Comptroller.

**** FTE numbers still to come from Dominican Magic, Heritage North, Heritage South and MacQuesten/130 Modern. 2017 numbers retained.

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Supplemental Information (Unaudited)

For the Year Ended December 31, 2018

	Heritage North/ Mount Vernon North	Heritage South /Mount Vernon South	Kings Court	Macedonia Towers	MacQuesten/1 30 Modern	Regent Hospitality Linen Services	Target	Zion Court
Real Property Tax Exemptions*:								
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Property Tax	<u>363,018</u>	<u>1,452,070</u>	<u>15,247</u>	<u>56,340</u>	<u>275,893</u>	<u>40,295</u>	<u>726,035</u>	<u>139,399</u>
TOTALS	\$ 363,018	\$ 1,452,070	\$ 15,247	\$ 56,340	\$ 275,893	\$ 40,295	\$ 726,035	\$ 139,399
Payments in Lieu of Taxes (PILOTS) Remittances								
County	\$ 7,023	\$ 16,803	\$ 11,124	\$ -	\$ 6,673	\$ -	\$ 20,508	\$ 2,948
Local***	21,753	49,006	4,974	54,823	19,463	-	63,604	8,599
School	<u>48,642</u>	<u>109,381</u>	<u>1,705</u>	<u>-</u>	<u>43,524</u>	<u>-</u>	<u>141,958</u>	<u>19,228</u>
	\$ 77,418	\$ 175,190	\$ 17,803	\$ 54,823	\$ 69,660	\$ -	\$ 226,070	\$ 30,775
Full-time Equivalent Jobs Created & Retained**								
# FTEs before IDA status	-	-	-	-	5	-	-	-
Original Estimate of Jobs to be Created	50	400	-	-	100	-	-	-
Original Estimate of Jobs to be Retained	-	-	-	-	5	-	-	-
Current # of FTEs	75	100	-	3	2	-	371	1
# of FTE Jobs Created During Fiscal Year	-	-	-	-	-	-	-	-
#of FTE Construction Jobs During Fiscal Year	-	-	-	-	-	-	-	-
Net Employment Change (ie, from project inception)	75	100	-	3	(3)	-	371	1

* Real Property Tax Exemptions indicate the total amount for which a project would have been liable if the project occurred but the IDA was not involved.

** PARIS amounts may differ due to software constraints.

*** 2018 PILOT for Macedonia Towers paid directly to City Comptroller.

**** FTE numbers still to come from Dominican Magic, Heritage North, Heritage South and MacQuesten/130 Modern. 2017 numbers retained.



**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**

**To the Board of Directors
Mount Vernon Industrial Development Agency
Mount Vernon, New York**

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 the Mount Vernon Industrial Development Agency ("Agency"), a component unit of the City of Mount Vernon, New York, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated May 29, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 as a material weaknesses.

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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.

Compliance and Other Matters

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

However, we noted certain matters that we have reported to the Board of Directors of the Mount Vernon Industrial Development Agency in a separate Independent Auditor's Communication of Internal Control Matters Identified in the Audit, dated May 29, 2020.

Purpose of this Report

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

Galleros Robinson CPAs, LLP

Cream Ridge, New Jersey
May 29, 2020

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2018

FINANCIAL STATEMENT FINDINGS

Finding 2018-001 – Timely Review of Bank Reconciliation, Disposition of Reconciling Items and Account Analyses

Criteria

Internal controls over financial reporting are designed to: a) deter and detect errors, fraud and theft; and b) produce reliable and complete financial information in a timely manner. Fiscal policies and procedures should include reviews of monthly and annual reports, monthly bank reconciliations, periodic analysis of significant accounts, and reconciliation of general and subsidiary ledger amounts.

Condition and Context

For the audit, the Agency provided financial reports generated from its general ledger system, QuickBooks. Upon examination of the amounts in the reports, we noted certain inaccuracies which are indications that there was lack of reconciliation procedures, and review of transactions recorded into and reports generated from the system. Inaccuracies noted include:

- a. There were checks that already cleared during the year that were still included as outstanding checks. These errors were adjusted during the audit.
- b. There was an outstanding check identified during the audit that was not included as outstanding check in the bank reconciliation prepared which was adjusted during the audit.
- c. Restricted cash balances (security deposits) in escrow accounts were not reconciled with agreements.
- d. PILOT revenue and related annual fees are not regularly reconciled with the agreements.
- e. An on-line payment for credit card charges was erroneously drawn from a security deposit escrow account.

Cause

Effective policies and procedures are not in place to ensure the accuracy and completeness of transactions posted in the general ledger.

Effect

Interim financial statements were inaccurate and several journal entries were proposed and recorded during the audit to correct year-end account balances.

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2018

Finding 2018-001 – Timely Review of Bank Reconciliation, Disposition of Reconciling Items and Account Analyses (Continued)

Recommendation

We recommend that the Agency put in place policies and procedures to ensure completeness and accuracy of recorded transactions and reported amounts of the Agency. Procedures to be considered should include:

- a. The bank reconciliation prepared by the Accountant should be reviewed by someone other than preparer along with bank statements. Any unusual items should be investigated, and reconciling items identified be reviewed as to accuracy and immediate disposition.
- b. Periodic review and analysis of account balances to verify accuracy and reasonableness of recorded amounts and reconciling with the provisions of the agreement
- c. The nature and extent of the oversight of the financial reporting process by management, the board of directors, and the audit committee.

Finding 2018-002 – Segregation of Duties, Approval of Disbursements and Credit Card Charges*

Criteria

Segregation of Duties is a basic building block of sustainable risk management and internal controls for a business. The principle of segregation is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Generally, the primary incompatible duties that need to be segregated are:

- Authorization or approval
- Custody of assets
- Recording transactions
- Reconciliation/Control Activity

When duties cannot be sufficiently segregated due to the small size of a unit, it is important that mitigating controls, such as a detailed supervisory review of the activities, be put in place to reduce risks misstatements due to errors or fraud.

Condition and Context

In our review of the cash disbursements process and testing of transactions, we noted the following instances where incompatible duties were not segregated and detailed supervisory review and approval were not in place. From our discussion with management, it was indicated that there were staffing gaps in 2018, which led rise to the following:

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2018

Finding 2018-002 – Segregation of Duties, Approval of Disbursements and Credit Card Charges* (Continued)

Condition and Context (continued)

- a. Three check payments for expense reimbursements to the Board Chair were signed by the Board Chair himself. It should be noted that one of the check payments was supported with expense details with review and approval by Board Counsel. Supporting documents for the other two check payments were not available for review. Therefore, we could not verify as to the validity and accuracy of expenses reimbursed.
- b. There were invoices submitted by a vendor for payment that had no indication that the Agency was consulted or had issued pre-approval of inspection services to be performed. Other than the invoices, the Agency was also not provided with details or reports to support billings of work completed. For the most part, services provided were related to inspections and permitting for residential addresses. As of audit report date, billings of approximately \$687,000 were deemed overstated and unsubstantiated based on initial review performed by the Board Counsel and management. Claims remained disputed for lack of supporting documentation. Additional documentation and explanation for the various invoices have been requested by management from the vendor for further review before any payment will be made.
- c. For three selected on-line payments made for monthly credit card charges, supporting documents were not provided. From the records on file, the supporting documents for the on-line payments were limited to monthly credit card statements. The supporting documents for each credit card transaction such as receipts, invoices, flight itinerary/boarding passes, hotel statements for accommodation, and description of business purposes for charges were not available. Therefore, charges could not be verified as to purpose, accuracy and validity as an Agency expense.

Cause

Effective policies and procedures are not in place for an adequate division of responsibilities among those who perform accounting procedures or control activities and those who handle assets. Also, the Agency does have a fiscal manual to clarify roles and processes related to purchases and cash disbursements. Further, there was a staffing gap, which caused difficulty in segregating duties.

Effect

Segregation of duties was not in place, and approval of transactions not consistently documented.

Recommendations

We recommend that the Agency establish written fiscal policies and procedures on purchasing and cash disbursements which consider: a) segregation of duties, b) centralized purchasing

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding 2018-002 – Segregation of Duties, Approval of Disbursements and Credit Card Charges* (Continued)

Recommendations (continued)

process to ensure adequate level of review and approval of all purchases, c) use of credit cards, d) adopting forms for requisitions and check payments to document the review and approval process, and e) review of signors and threshold amounts for requiring more than signor on check and ACH payments.

We also recommend that all check payments/reimbursements should be adequately supported. Review and approval by someone other than Board Chair for these reimbursements are required for purposes of effective segregation of duties.

The Agency should implement the use of a Credit Card Expense Report, detailing charges and purpose of such charges, to be submitted on a monthly basis with supporting documents (e.g., invoices). A monthly credit card statement alone is not a sufficient supporting document for credit card payments.

In addition, we recommend that the check writing process be incorporated into the Accounting System and eliminate the issuance of manual checks.

MOUNT VERNON INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2018

Finding 2017-001 – Report Reviews and Account Analyses

Condition

Upon examination of the Agency's books and records, we noted certain inaccuracies which were indications that there was lack of reconciliation procedures, and review of transactions recorded into and reports generated from the Agency's accounting system.

Status

A similar finding still exists. Refer to Finding 2018-001.

Finding 2017-002 – Segregation of Duties and Approval of Disbursements

In our review of the cash disbursements process and testing of transactions, we noted the following instances where incompatible duties were not segregated and detailed supervisory review and approval were not in place.

Status

A similar finding still exists. Refer to Finding 2018-002.