

**City of Newburgh, New York
Industrial Development Agency
(A Component Unit of the City of
Newburgh, New York)**

Financial Report

December 31, 2014 and 2013

**City of Newburgh, New York
Industrial Development Agency
(A Component Unit of the City of
Newburgh, New York)**

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Independent Auditor's Report

Chairman and Agency Board
City of Newburgh Industrial Development Agency
Newburgh, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Newburgh, New York Industrial Development Agency (Agency), a component unit of the City of Newburgh, New York, which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Newburgh, New York Industrial Development Agency as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows 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 on pages 3 through 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the Agency's basic financial statements. The schedule of indebtedness is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of indebtedness is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of indebtedness 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 March 16, 2015, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

SaxBST LLP

Albany, New York
March 16, 2015



City of Newburgh, New York
Industrial Development Agency
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Management's Discussion and Analysis
December 31, 2014 and 2013

The following Management's Discussion and Analysis (MD&A) provides an introduction and overview to the financial activities and performance of the City of Newburgh, New York Industrial Development Agency (Agency) for the years ended December 31, 2014 and 2013, as mandated by Governmental Accounting Standards Board Statement No. 34. This information should be reviewed in conjunction with the basic financial statements of the Agency.

Overview of Financial Statements

The Agency's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Agency is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. See notes to the financial statements for a summary of the Agency's significant accounting policies.

The *Statement of Net Position* presents information on the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Agency's financial position.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Agency's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flow of cash. Consequently, only transactions that affect the Agency's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the statement of cash flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

In addition to the basic financial statements and accompanying notes, this report also presents the *Supplementary Schedule of Indebtedness*.

Financial Highlights

- In 2012, after a hiatus of 5 years, the Agency successfully filed previously outstanding audits and PARIS reports. The Agency is now in compliance and able to initiate bond and straight lease projects consistent with General Municipal Law Article 18A.
- In December 2012, the Agency and a developer were advised by the NYS Department of Environmental Conservation that the Agency's Scobie Drive property was eligible to enter the Brownfield Cleanup Program. The first phase of the program investigated the costs for remediation of the site, suitable for development of a 200,000 square foot manufacturing facility. A contract to convey the property to the developer was executed in 2014. To further the development of the property, the City of Newburgh and the Agency applied for a \$4.1 million grant from the U.S. Economic Development Administration for construction of public infrastructure to support the planned facilities. The grant will require a local match of 30%. In early 2015, the developer notified the Agency that they would be unable to pursue the clean-up under the program. The Agency is currently seeking other means to complete the work covered under the program.

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Financial Highlights - Continued

- As approximately 95% of the City's businesses employ fewer than 25 workers, in late 2013, the Agency created a Small Business Straight Lease program to facilitate projects requiring less than \$100,000 in benefits. The program consists of application and contract templates to avoid the cost of preparation and legal services. Fees generated from the program have been minor.

Financial Analysis of the Agency

The table below presents condensed financial information derived from the Agency's financial statements as of December 31, 2014 and 2013.

Condensed Statement of Net Position

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease) 2014-2013</u>
ASSETS			
Current assets	<u>\$ 898,448</u>	<u>\$ 757,315</u>	<u>\$ 141,133</u>
LIABILITIES AND NET POSITION			
Current liabilities	\$ 34,985	\$ 40,415	\$ (5,430)
Noncurrent liabilities	380,682	405,384	(24,702)
Total liabilities	<u>415,667</u>	<u>445,799</u>	<u>(30,132)</u>
NET POSITION, unrestricted	<u>482,781</u>	<u>311,516</u>	<u>171,265</u>
Total liabilities and net position	<u>\$ 898,448</u>	<u>\$ 757,315</u>	<u>\$ 141,133</u>

The overall increase in net position in 2014 was principally due to the receipt of back rent from a sublessee on the Agency's cell tower.

Current assets increased \$141,133 for the year ended December 31, 2014. The change was essentially the result of the 2014 operating income.

Current liabilities decreased \$5,430 at December 31, 2014, as compared to December 31, 2013, due to the timing of certain payments at year-end related to the Agency's transactions with the City.

Noncurrent liabilities decreased \$24,702 at December 31, 2014, as compared to December 31, 2013, due to recognition of revenue under the Agency's long-term lease and easement agreements.

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Management's Discussion and Analysis
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Financial Analysis of the Agency - Continued

The table below present condensed financial information derived from the financial statements of the Agency for the years ended December 31, 2014 and 2013.

Condensed Statement of Operating Revenues and Expenses

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease) 2014-2013</u>
Operating revenues			
Lease income	\$ 265,474	\$ 117,520	\$ 147,954
Operating expenses			
Administrative fees	40,304	52,383	(12,079)
Equipment and maintenance	1,066	-	1,066
Insurance	2,611	1,871	740
Office expense	503	204	299
Professional fees, accounting	9,750	14,009	(4,259)
Professional fees, legal	41,758	40,635	1,123
Project expenses	-	198,141	(198,141)
Travel expense	40	161	(121)
Miscellaneous	1,615	2,451	(836)
Total expenses	<u>97,647</u>	<u>309,855</u>	<u>(212,208)</u>
 Excess (deficiency) of revenue over expenses	 <u>\$ 167,827</u>	 <u>\$ (192,335)</u>	 <u>\$ 360,162</u>

Activities for the Year Ended December 31, 2014

Lease income increased \$147,954 in 2014, as compared to 2013, principally relating to the collection of an annual lease contract that was not received in 2013. The increase can also be attributed to escalation factors in the lease agreements.

Administrative fees decreased in 2014 by \$12,079, as compared to 2013. The Agency entered into several consultant agreements in 2013 to provide management, accounting, and recording services in an effort to improve internal controls and assist in timely reporting to regulatory agencies. The services required in 2014 from the consultants were less than those required in 2013.

Aggregate professional fees increased in 2014 by \$400, as compared to 2013. While the Agency continues to incur significant legal fees related to certain of its properties, such fees have decreased as certain legal matters were concluded in 2014.

Project expenses decreased in 2014 by \$198,141, as compared to 2013, principally attributable to the 2014 write down of the carrying value of the Agency's Scobie Drive property. During 2014, the Agency entered into an agreement to sell the property to a third party for a nominal value. The agreement requires the purchaser to remediate the site prior to closing. Due to the significance of the estimated costs to remediate the site, the carrying value of the property was written off by the Agency.

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Management's Discussion and Analysis
December 31, 2014 and 2013

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact Theresa G. Waivada, Executive Director, at Newburgh City Hall, 83 Broadway, Newburgh, New York 12550.

City of Newburgh, New York
Industrial Development Agency
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Statements of Net Position

	December 31,	
	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 889,581	\$ 755,955
Accounts receivable	7,597	-
Prepaid expenses	1,270	1,360
	\$ 898,448	\$ 757,315
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,283	\$ 9,713
Security deposits	6,000	6,000
Unearned revenue, current	24,702	24,702
Total current liabilities	34,985	40,415
UNEARNED REVENUE, less current portion	380,682	405,384
Total liabilities	415,667	445,799
COMMITMENTS AND CONTINGENCIES		
NET POSITION, unrestricted	482,781	311,516
	\$ 898,448	\$ 757,315

See accompanying Notes to Financial Statements.

City of Newburgh, New York
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Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2014	2013
OPERATING REVENUES		
Lease income	\$ 265,474	\$ 117,520
OPERATING EXPENSES		
Administrative fees	40,304	52,383
Equipment and maintenance	1,066	-
Insurance	2,611	1,871
Office expense	503	204
Professional fees, accounting	9,750	14,009
Professional fees, legal	41,758	40,635
Project expenses	-	198,141
Travel expense	40	161
Miscellaneous	1,615	2,451
	97,647	309,855
Operating income (loss)	167,827	(192,335)
OTHER INCOME		
Other	3,133	60,500
Interest income	305	715
	3,438	61,215
Change in net position	171,265	(131,120)
NET POSITION, <i>beginning of year</i>	311,516	442,636
NET POSITION, <i>end of year</i>	\$ 482,781	\$ 311,516

**City of Newburgh, New York
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Statements of Cash Flows

	Years Ended December 31,	
	2014	2013
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Receipts from customers	\$ 233,175	\$ 92,818
Payments to vendors	(102,987)	(135,585)
	130,188	(42,767)
CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		
Reimbursement of expenses	3,133	60,500
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest income earned	305	715
Net increase in cash	133,626	18,448
CASH, beginning of year	755,955	737,507
CASH, end of year	\$ 889,581	\$ 755,955
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 167,827	\$ (192,335)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Write-down of property held for sale or development	-	197,000
Changes in operating assets and liabilities		
Accounts receivable	(7,597)	-
Prepaid expenses	90	(610)
Accounts payable and accrued expenses	(5,430)	(22,120)
Unearned revenue	(24,702)	(24,702)
	\$ 130,188	\$ (42,767)

See accompanying Notes to Financial Statements.

**City of Newburgh, New York
Industrial Development Agency
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Notes to Financial Statements
December 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

The City of Newburgh, New York Industrial Development Agency (Agency) was established on July 22, 1982, for the purpose of encouraging economic growth in the City of Newburgh, New York (City). The Agency assists with financing arrangements and has the authority to grant mortgage and sales tax exemptions.

The Agency is considered a component unit of the City. Inclusion in the financial reporting entity is determined based on financial accountability as defined by Governmental Accounting Standards Board's (GASB) Statement No. 14, *The Financial Reporting Entity*. Component units are legally separate entities for which the City is financially accountable. The City of Newburgh Council appoints all of the Agency's Board Members. This level of control meets the criteria for financial accountability as defined by GASB Statement No. 14.

b. Basis of Accounting and Financial Statement Presentation

The Agency's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Agency is determined by its measurement focus. The transactions of the Agency are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statements of net position. Net position is segregated into restricted and unrestricted components, as follows:

- *Restricted net position* consists of assets that are restricted by the Board for specific purposes, and
- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of restricted net position.

c. Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Tax Status

The Agency is exempt from federal, state, and local income taxes.

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Notes to Financial Statements
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Note 1 - Organization and Summary of Significant Accounting Policies - Continued

e. Cash

The Agency's investment policies are governed by New York State statutes. In addition, the Agency has its own written investment policy. Agency funds must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The Agency is authorized to use demand accounts, money market accounts, and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit 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 the State and its municipalities and school districts. Deposits are categorized as either (1) insured by FDIC insurance, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the Agency's name, or (3) uncollateralized.

Cash balances at both December 31, 2014 and 2013 were fully insured or collateralized.

f. Accounts Receivable

Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

g. Real Property Held for Sale or Development

Real property held for sale or development includes various real estate parcels in the City carried at the estimated market value of the property at the time of transfer to the Agency or historical value. These properties are typically transferred to the Agency by the City or the State. The Agency also owns or has rights to several real estate parcels which are carried at no cost.

h. Unearned Revenue

The Agency recognizes revenue from long-term leasing or easement arrangements over the terms of the respective agreements. Unearned revenue represents the unearned portion of upfront payments received by the Agency.

i. Payment in Lieu of Taxes (PILOT)

The Agency enters into and administers PILOT agreements for various unrelated business entities located in Orange County. Under the terms of the PILOT agreements, title to property owned by the unrelated business entity is transferred to the Agency for a certain period of time. During the period in which the Agency holds title, the business entity pays a PILOT to the Agency based on a calculation defined by the specific agreement. The PILOTs allow the companies to make payments that are less than the property taxes that would be paid on the related property's assessed value. Once the PILOT is received, the Agency remits the PILOT to the respective taxing authorities. Certain requirements, as defined by each agreement, are to be met by the company to be able to maintain its PILOT. These requirements, as stated in the PILOT agreement, can be comprised of reaching and maintaining certain employment goals and paying its PILOT in a timely fashion. At the completion of the PILOT, title to the property is transferred back to the third-party business owner, and the property goes back on the tax rolls.

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Notes to Financial Statements
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Note 1 - Organization and Summary of Significant Accounting Policies - Continued

i. Payment in Lieu of Taxes (PILOT) - Continued

As part of the PILOT program, the Agency generates fees for administering the PILOT agreement. These fees are reported as "charges for services" in these financial statements. The Agency also administers bonds for several projects and receives an administrative fee upon issuance of the bond.

PILOT receipts and PILOT payments are accounted for as pass-through transactions and are not included in the revenues or expenses of the Agency. The Agency is responsible for collecting and remitting the funds, and the City ultimately bears the risk of loss if PILOT payments are not paid to the Agency by the respective companies.

j. Industrial Revenue Bonds and Notes Transactions

Certain industrial development revenue bonds and notes previously issued by the Agency are secured by property which is leased to companies and is retired by the underlying lease payments. The bonds and notes are not obligations of the Agency or New York State. The Agency does not record the assets or liabilities resulting from completed bonds and notes issued in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising there from are controlled by trustees or banks as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administration fees are recognized immediately upon issuance of bonds and notes.

k. Revenue Recognition

Revenue is generated from project application and administrative fees, as well as long-term leases. Revenues are recognized when earned, and expenses are recognized when incurred. The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues are determined based on the services provided by the Agency. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

l. New Accounting Standards

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement provides specific accounting and financial reporting guidance for combinations in this environment and improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.

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Notes to Financial Statements
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Note 1 - Organization and Summary of Significant Accounting Policies - Continued

l. New Accounting Standards - Continued

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement provides financial reporting and disclosure guidance to those governments that extend and receive nonexchange financial guarantees, thereby enhancing comparability of financial statements among governments.

The Authority adopted GASB Statements No. 69 and No. 70 as of January 1, 2014. There was no significant impact to the financial statements as a result of these adoptions.

m. Reclassification

Certain reclassifications were made to the prior year amounts in order to conform to the current year presentation.

n. Subsequent Events

The Agency has evaluated subsequent events for potential recognition or disclosure through March 16, 2015, the date the financial statements were available to be issued.

Note 2 - Conduit Debt Obligations

From time to time, the Agency has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the interest of the public. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Agency, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

At December 31, 2014 and 2013, the original issue value of bonds issued aggregated \$48,930,000, and the outstanding balance was \$34,784,324 and \$36,135,552, respectively.

Note 3 - Lease Agreements

The Agency has entered into several long-term leasing or easement arrangements for property owned by the Agency. The agreements generally provide for significant up-front payments and nominal annual payments thereafter. Payments received in advance are initially recorded as unearned and are recognized over the lease terms which range from 10-60 years. Income recognized pursuant to these arrangements approximated \$24,800 during each of the years ended December 31, 2014 and 2013.

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Notes to Financial Statements
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Note 3 - Lease Agreements - Continued

The Agency also leases a parcel of land from the City at no cost. The Agency subleases the parcel pursuant to a land lease which provides for the lessee to operate a cell tower. A portion of the rental income received by the lessee under long-term carrier agreements is paid to the Agency pursuant to the sublease. Rental income pursuant to the sublease approximated \$240,671 and \$92,664 during 2014 and 2013, respectively.

The following is a schedule of approximate minimum future rentals expected to be received by the Agency pursuant to the carrier lease arrangements at December 31, 2014:

For year ending December 31,

2015	\$ 83,000
2016	83,000
2017	81,000
2018	71,000
2019	71,000
Thereafter	<u>1,485,000</u>
	<u><u>\$ 1,874,000</u></u>

Due to the subleasing arrangement with the cell tower operator, the Agency is dependent upon the sublessor to negotiate terms of, and monitor payments pursuant to, the carrier agreements. Accordingly, leasing revenues and payment terms are subject to change without the Agency's direct knowledge. During 2014, the Agency received approximately \$151,000 from a carrier representing leasing payments not previously reported to the Agency or the sublessor.

Note 4 - Tax Exemptions

During 2008, the Agency lost its ability to provide exemptions from State taxes as a result of not filing required reports with the New York State Office of the State Comptroller and the Authorities Budget Office of the State of New York in a timely fashion. During May 2012, the Agency filed the last of the outstanding required reports and regained its ability to grant New York State tax exemptions.

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Notes to Financial Statements
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Note 5 - Commitments and Contingencies

a. Environmental Risks

During 2013, the Agency entered into a contract for the sale for its 5 Scobie Drive property with a third party. The contract requires the purchaser to undertake and fund the cost of applying and processing an application for the property to be included in New York State's DEC Brownfield Redevelopment Program and committing to undertake the remediation plan and remediate the site. Closing on the sale of the property is contingent on the successful remediation of the site. As the sale was for a nominal amount, during 2013 the Agency wrote down the carrying value to \$-0-. Project expenses include \$197,000 related to the write down in the carrying value of the Scobie Drive property.

b. City of Newburgh Local Development Corporation

As of both December 31, 2014 and 2013, the Agency has fully reserved \$752,740 due from the City of Newburgh Local Development Corporation (LDC) as the LDC does not currently have sufficient working capital to make payments to the Agency.

Note 6 - Transactions With the City Of Newburgh

Administrative Services Agreement

The Agency and the City are parties to an Inter-Agency agreement whereby the Agency agrees to share certain personnel costs of the City, and the City agrees to provide certain personnel services to the Agency. The agreement is renewed on an annual basis. Administrative expenses charged under the agreement by the Agency to the City were \$7,500 during 2013 (none in 2014). Accrued expenses at December 31, 2013 include \$7,500 relating to the agreement.

Note 7 - New Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

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Notes to Financial Statements
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Note 7 - New Accounting Pronouncements - Continued

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability previously this was required not to be reported. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. This statement is effective for periods beginning after June 15, 2014, with early application encouraged.

Management estimates that the potential impact of these pronouncements will not be material to the Agency's future financial statements.

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Industrial Development Agency
(A Component Unit of the City of Newburgh, New York)**

Supplementary Information - Schedule of Indebtedness

<u>Project Description</u>	<u>Original Issue Amount</u>	<u>Original Issue Date</u>	<u>Current Interest Rate</u>	<u>Outstanding January 1, 2014</u>	<u>Issued During 2014</u>	<u>Principal Payments 2014</u>	<u>Outstanding December 31, 2014</u>	<u>Final Maturity Date</u>
GEMMA	\$ 5,700,000	09/96	Varies	\$ 2,059,644	\$ -	\$ 430,666	\$ 1,628,978	03/18
Bourne & Kenney	4,500,000	07/99	Varies	3,575,000	-	175,000	3,400,000	02/32
Belvedere Housing, LP	17,500,000	08/04	Varies	13,420,908	-	180,562	13,240,346	07/41
St. Luke's Cornwall Hospital Parking Garage	<u>21,230,000</u>	11/05	Varies	<u>17,080,000</u>	<u>-</u>	<u>740,000</u>	<u>16,340,000</u>	10/30
	<u>\$48,930,000</u>			<u>\$36,135,552</u>	<u>\$ -</u>	<u>\$ 1,526,228</u>	<u>\$34,609,324</u>	

**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***

Chairman and Agency Board
City of Newburgh, New York Industrial Development Agency
Newburgh, New York

We have audited, 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, the statement of net position of the City of Newburgh, New York Industrial Development Agency (Agency), a component unit of the City of Newburgh, New York, as of December 31, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

SaxBST LLP

Albany, New York
March 16, 2015