CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
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DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

John Tkazyik, Chairman
City of Poughkeepsie Industrial Development Agency
Municipal Building
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Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the City of Poughkeepsie, New York Industrial Development Agency ("Agency"), a component unit of the City of Poughkeepsie, New York, as of and for the year ended December 31, 2014 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.

Auditors' 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 basic financial statements are free of 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.

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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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Poughkeepsie, New York Industrial Development Agency, as of December 31, 2014, and the respective changes in financial position and cash flows for the year then ended in conformity 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 the management's discussion and analysis on pages 4 and 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic and historic 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to 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 Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City of Poughkeepsie, New York Industrial Development Agency's financial statements as a whole. The Schedule of Indebtedness and Schedule of Supplemental Information on pages 13 and 14 are presented for purposes of additional analysis and are not a required part of the financial statements.

These Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements, as a whole. The Schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015 on our consideration of the City of Poughkeepsie, New York Industrial Development Agency's internal control over financial reporting and 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.

The report on internal control over financial reporting and on compliance and other matters is an integral part of an audit performed in accordance with *Government Auditing Standards* and, should be considered in assessing the results of our audit.

Sedor & Company, C.P.A.'s, P.C.

Poughkeepsie, New York
March 30, 2015

CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2014

The following "Management's Discussion and Analysis" report (MD&A) provides the reader with an introduction and overview to the financial activities and performance of the City of Poughkeepsie, New York Industrial Development Agency ("Agency") for the year ended December 31, 2014, as mandated by GASB #34. This information should be reviewed in conjunction with the audited financial statements of the Agency.

FINANCIAL OPERATIONS HIGHLIGHTS

Total Revenues did not change significantly between 2013 and 2014. Total Expenses decreased as a result of the Agency's discontinued rental payments on behalf of Family Services, Inc. to Hudson River Housing, as the lease was not renewed after expiration on January 30, 2014.

SUMMARY OF OPERATIONS

	December 31, 2014	December 31, 2013	$ Change
Total Revenues	$ 32	$ 38	$ (6)
Total Expenses	(5,754)	(12,990)	7,236
Change in Net Position	$ (5,722)	$ (12,952)	$ 7,230

FINANCIAL POSITION SUMMARY

Net Position serves as an indicator of the Agency's financial position. At December 31, 2014 and 2013, Net Position was a deficit of $(385,780) and $(380,058) respectively, due to a balance due the City of Poughkeepsie Community Development, for which the State is no longer accepting reimbursement requests. This balance is being researched for the purposes of determining whether or not the IDA will be able to return these funds.

	December 31, 2014	December 31, 2013
Total Assets	$ 64,221	$ 73,347
Total Liabilities	$ 450,001	$ 453,405
Net Position (deficit)	$ (385,780)	$ (380,058)

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

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).

CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2014

ASSETS	
Cash and Cash Equivalents	$ 64,221
Total Assets	$ 64,221
LIABILITIES AND NET POSITION	
Accounts Payable and Other Liabilities	$ 4,750
Due to Community Development	445,251
Total Liabilities	450,001
Unrestricted Net Position	(385,780)
Total Net Position	(385,780)
Total Liabilities and Net Position	$ 64,221

CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUES	
Investment Earnings	$ 32
Total Revenues	32
EXPENSES	
Contract Services	5,754
Total Expenses	(5,754)
Excess of Revenues or (Expenses)	(5,722)
Net Position, January 1, 2014	(380,058)
Net Position December 31, 2014	$ (385,780)

CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

Cash Flows from Operating Activities:		
Payments to Suppliers	$	(9,158)
Interest received		32
Net cash used by operating activities		(9,126)
Net Decrease in Cash and Cash Equivalents		(9,126)
Cash and Cash Equivalents, January 1, 2014		73,347
Cash and Cash Equivalents, December 31, 2014	$	64,221
Reconciliation of operating (loss) to net cash used by operating activities		
Operating Loss	$	(5,722)
Changes in Assets and Liabilities:		
Accounts Payable		(3,404)
Net Cash used by operating activities	$	(9,126)

CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. Organization and Summary of Significant Accounting Policies

Organization and Purpose:

The City of Poughkeepsie, New York Industrial Development Agency (the "Agency") is a public benefit corporation established under Section 856 of the New York State Industrial Development Agency Act of the State of New York and Chapter 73 of the Laws of 1970 of the State. The Agency was established to encourage economic growth within the City of Poughkeepsie, New York.

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, some of which are as follows:

The Reporting Entity

The Agency is considered a component unit of the financial reporting entity known as the City of Poughkeepsie, New York. Inclusion in the financial reporting entity, the City of Poughkeepsie, is determined based on financial accountability as defined by GASB Statement No. 14, "The Financial Reporting Entity". The City of Poughkeepsie Common 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.

Proprietary Fund Accounting

Basis of Accounting and Measurement Focus

The Agency helps to facilitate economic development in the City of Poughkeepsie, primarily by issuing tax-exempt debt. Its operations are financed primarily by the City of Poughkeepsie by providing use of City staff and facilities. Under standards set by the GASB, the Agency is considered an enterprise fund, a type of proprietary fund. Proprietary fund financial statements are prepared on the accrual basis of accounting, which records the financial effects on an enterprise of transactions and other events when these transactions and events occur. The measurement focus is the flow of economic resources. This basis differs from that used by governmental funds in that the effects of transactions in government funds are recorded when revenues are measurable and available and when expenditures are incurred. The measurement focus is the flow of current transactions.

1. Organization and Summary of Significant Accounting Policies (Cont'd.)

The Agency's policy is to apply, all GASB pronouncements; with the implementation of GASB 62, applicable Financial Accounting Standards Board standards are included.

Income Taxes

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

Cash, Cash Equivalents and Investments

State statutes govern the Agency's investment policies. Agency monies must be deposited in Federal Deposit Insurance Corporation insured commercial banks or trust companies located within the State of New York. The Agency is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State and 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. The Agency's cash was covered in full by a combination of FDIC insurance and collateral pledged by a third party custodian.

For purposes of the Statement of Cash Flows, the Agency considers all demand deposits, time and savings accounts, and certificates of deposit with an original maturity of three months or less to be cash equivalents.

Risk Management

Risk management activities are limited to being listed as an additional insured on properties covered by payment in lieu of tax (PILOT) agreements. The Agency's management believes it has limited exposure for loss as its sole asset is cash and it has no employees. Tax assessment disputes are litigated by the taxing authorities with no financial effect on the Agency.

1. Organization and Summary of Significant Accounting Policies (Cont'd.)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Subsequent Events

The Agency evaluated subsequent events for disclosure and/or recognition in the financial statements from December 31, 2014 through March 30, 2015, the date on which the financial statements were available to be issued.

2. Industrial Revenue Bonds

Bonds authorized by the Agency and issued through various lending institutions are designated as special obligations of the Agency and payable solely from the revenues and other assets pledged as collateral against the bonds. While in most instances, the Agency is the holder of legal title to properties acquired with industrial revenue bond financing until such point in time as the construction of property improvements has been completed or satisfaction of the obligation has been effected in full, the Agency does not act as a guarantor in the event of default. Accordingly, recourse on the part of the lending institution against the Agency is limited to collateralization properties and revenues as specified in the body of the applicable financing agreement. Additionally, in each of these financings, the Agency has assigned all rights to receive certain revenues derived with respect to the facilities it has financed to the holders of the industrial revenue bonds. As a consequence, the Agency does not reflect such bonds or related properties on its financial statements. Industrial revenue bonds authorized by the Agency and outstanding at December 31, 2014, total $3,573,873. See Other Supplemental Information on page 13 of this report for additional information on the Industrial Revenue Bonds.

3. Commitments

On January 10, 2011, the Agency, along with the City of Poughkeepsie ("City"), entered into a memorandum of understanding with Hudson River Housing, Inc. ("HRH"), a not-for-profit organization based in Poughkeepsie, New York. The Agency has been designated as the local re-development authority responsible for the re-development of the 2nd Lt. Glen Carpenter Army Reserve Center ("Center"). This agreement provided for the release of certain rights to the Center so that the re-development process could continue. In connection with that release, the Agency and the City agreed to certain transfers and payments, including the transfers of certain properties to HRH in furtherance of its homeless assistance program, payments to HRH as rental support, at a minimum of $6,300 per year, payment of $50,000 to HRH for capital improvements, waiving City planning and building fees and providing bus passes to HRH at discounted rates. As of January 30, 2014, the lease agreement between HRH and the Center had expired, and has not been renewed. The Agency is no longer liable for rental support to HRH as of the year ended December 31, 2014.

4. Assignment Consent

In 2013, the Agency consented to the assignment of an installment sale agreement between the former and current owner of The Manor at Woodside, an independent living facility for seniors located in the City of Poughkeepsie. This consent allowed the new owner to retain the property tax exemptions and payments in lieu of taxes (PILOT) benefits afforded the prior owner. The industrial revenue bonds issued for the benefit of the prior owner were paid as a consequence of the project facility transfer.

5. New Reporting Standards

GASB has issued Statements 68-72, none of which are expected to have any substantive effects on the Agency's net position.

OTHER SUPPLEMENTAL INFORMATION

CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2014

PROJECT NAME	PROJECT PURPOSE	ORIGINAL ISSUE AMOUNT	ORIGINAL ISSUE DATE	INTEREST RATE	OUTSTANDING BALANCE 12/31/2014
Eastman & Bixby Redevelopment Company, LLC	Developers	$ 8,500,000	August-00	Variable	$ 3,573,873
TOTAL BONDS OUTSTANDING AT DECEMBER 31, 2014					**$ 3,573,873**

CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

	PROJECTS				
	Eastman Bixby, LLC	NIC 6 Manor at Woodside Owner LLC	Marshall & Sterling, Inc	Poughkeepsie Landing, LLC	400 Main LLC
Real Property Tax Exemptions:					
Sales Tax	$ -	$ -	$ -	$ -	$ -
Real Property Tax	404,580	524,115	224,358	441,360	312,630
Mortgage Recording	-	-	-	-	-
TOTALS	$ 404,580	$ 524,115	$ 224,358	$ 441,360	$ 312,630
Payments in Lieu of Taxes (PILOTS):					
County	$ 14,096	$ 10,273	$ 21,143	$ 18,717	$ 3,447
Local	56,329	41,051	84,486	74,793	13,774
School	71,675	52,236	107,505	95,171	17,526
TOTALS	$ 142,100	$ 103,560	$ 213,134	$ 188,681	$ 34,747

FULL-TIME EQUIVALENT JOBS CREATED AND RETAINED (UNAUDITED)					
# Current FTE employees	7	59	130	200	13
# FTE jobs created during fiscal year	0	0	0	0	0
# Current FTE employees retained during the fiscal year	7	59	130	200	13
# FTE construction jobs created during fiscal year	0	0	0	0	0

OTHER REPORTING

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INDEPENDENT AUDITORS' REPORT
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*

John Tkazyik, Chairman
City of Poughkeepsie Industrial Development Agency
Municipal Building
62 Civic Center Plaza
Poughkeepsie, New York 12601

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 City of Poughkeepsie, New York Industrial Development Agency ("Agency"), a component unit of the City of Poughkeepsie, New York as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Poughkeepsie, New York Industrial Development 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 City of Poughkeepsie, New York Industrial Development 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 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 interal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of the internal control was for the limited purpose described in the first paragraph of the section and was not designed to identify all deficiencies in internal control over financial reporting 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 or significant deficiencies. However, material weaknesses and/or significant deficiencies may exist that have not been identified.

During our audit we identified a deficiency in internal control that we consider to be a significant deficiency (Finding 1, page 17).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Poughkeepsie, New York Industrial Development Agency's financial statements are free of 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.* The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described as follows:

1. The Agency continues to operate at a deficit and has an accumulated net position deficit of $385,780 as of December 31, 2014. Management believes that there are potential development opportunities forthcoming which would allow the Agency to continue fulfilling its intended purpose.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing on 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.

Sedore & Company, C.P.A.'s, P.C.

Poughkeepsie, New York
March 30, 2015

CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS,
RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION I: SIGNIFICANT DEFICIENCY:

1. DUE TO CITY OF POUGHKEEPSIE LIABILITY

FINDING: During 2004, a state funded project was jointly handled by the City of Poughkeepsie Community Development Fund and the Agency. Expenses were funded by the Community Development Fund, anticipating receipt of additional state aid. The Agency currently does not anticipate receiving any additional state aid.

CAUSE: The project was funded with an inter-municipality loan.

EFFECT: A deficit was created by incurring expenditures without sufficient revenues.

RECOMMENDATION: The Agency should establish a plan for clearing this obligation or determine a repayment plan.

RESPONSE: The Agency will continue to research the details of this issue and identify a resolution.