

**CITY OF POUGHKEEPSIE, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2015**

**CITY OF POUGHKEEPSIE, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
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DECEMBER 31, 2015**

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## **INDEPENDENT AUDITORS' REPORT**

Chairman and Members of the Board of Directors  
City of Poughkeepsie Industrial Development Agency  
Municipal Building  
62 Civic Center Plaza  
Poughkeepsie, New York 12601

### **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, 2015 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.

## **Opinion**

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, 2015, 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, 2016 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.

*Sedall & Company, CPA's*

Poughkeepsie, New York  
March 30, 2016

**CITY OF POUGHKEEPSIE, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2015**

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, 2015, 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 changed significantly between 2014 and 2015, due to the IDA being paid fees for amending and extending a PILOT agreement on behalf of a project. Total Expenses increased as a result increased consulting services needed regarding an examination from the New York State ABO.

**SUMMARY OF OPERATIONS**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>\$ Change</u>
Total Revenues	\$ 20,032	\$ 32	\$ 20,000
Total Expenses	<u>(8,855)</u>	<u>(5,754)</u>	<u>(3,101)</u>
Change in Net Position	<u>\$ 11,177</u>	<u>\$ (5,722)</u>	<u>\$ 16,899</u>

**FINANCIAL POSITION SUMMARY**

Net Position serves as an indicator of the Agency's financial position. At December 31, 2015 and 2014, Net Position was a deficit of \$(374,603) and \$(385,780) respectively, due to a balance due the City of Poughkeepsie Special Revenue Fund, for a program for which New York State is no longer accepting reimbursement requests. The Agency anticipates receiving revenues in 2016 to enable it to repay this liability.

**CITY OF POUGHKEEPSIE, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D.)  
DECEMBER 31, 2015**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Total Assets	<u>\$ 80,498</u>	<u>\$ 64,221</u>
Total Liabilities	<u>\$ 455,101</u>	<u>\$ 450,001</u>
(Net Position)	<u>\$ (374,603)</u>	<u>\$ (385,780)</u>

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, 2015**

**ASSETS**

Cash and Cash Equivalents	\$ 80,498
	<hr/>
<b>Total Assets</b>	<b>\$ 80,498</b>
	<hr/> <hr/>

**LIABILITIES AND (NET POSITION)**

Accounts Payable and Other Liabilities	\$ 5,000
Due to the City of Poughkeepsie Special Revenue Fund	445,251
Due to the City of Poughkeepsie General Fund	<hr/> 4,850
<b>Total Liabilities</b>	<hr/> 455,101
Unrestricted (Net Position)	<hr/> (374,603)
<b>Total (Net Position)</b>	<hr/> (374,603)
<b>Total Liabilities and (Net Position)</b>	<hr/> <hr/> \$ 80,498

**CITY OF POUGHKEEPSIE, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN (NET POSITION)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**REVENUES**

Investment Earnings	\$ 32
Other Charges for Services	<u>20,000</u>
<b>Total Revenues</b>	<u>20,032</u>

**EXPENSES**

Contract Services	<u>8,855</u>
<b>Total Expenses</b>	<u>8,855</u>
<b>Excess of Revenues over (Expenses)</b>	11,177
<b>(Net Position), January 1, 2015</b>	<u>(385,780)</u>
<b>(Net Position) December 31, 2015</b>	<u>\$ (374,603)</u>

**CITY OF POUGHKEEPSIE, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Cash Flows from Operating Activities:**

Payments to Suppliers	\$ (3,755)
Interest received	32
Receipts for Services	<u>20,000</u>
Net cash provided by operating activities	<u>16,277</u>
Net Increase in Cash and Cash Equivalents	16,277
<b>Cash and Cash Equivalents, January 1, 2015</b>	<u>64,221</u>
<b>Cash and Cash Equivalents, December 31, 2015</b>	<u><u>\$ 80,498</u></u>

**Reconciliation of operating income to net cash provided  
by operating activities**

Operating Income	\$ 11,177
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**Changes in Assets and Liabilities:**

Accounts Payable	250
Due to City of Poughkeepsie	<u>4,850</u>

<b>Net Cash provided by operating activities</b>	<u><u>\$ 16,277</u></u>
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**CITY OF POUGHKEEPSIE, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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, as amended.

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.

**CITY OF POUGHKEEPSIE, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2015**

**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.

**CITY OF POUGHKEEPSIE, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2015**

**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, 2015 through March 30, 2016, 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, 2015, total \$3,471,162. See Other Supplemental Information on page 13 of this report for additional information on the Industrial Revenue Bonds.

**CITY OF POUGHKEEPSIE, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2015**

**3. 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.

**4. New Reporting Standards**

GASB has issued Statements 69-80, 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, 2015**

<u>PROJECT NAME</u>	<u>PROJECT PURPOSE</u>	<u>ORIGINAL ISSUE AMOUNT</u>	<u>ORIGINAL ISSUE DATE</u>	<u>INTEREST RATE</u>	<u>OUTSTANDING BALANCE 12/31/2015</u>
Eastman & Bixby Redevelopment Company, LLC	Developers	\$ 8,500,000	August-00	Variable	\$ 3,471,162
<b>TOTAL BONDS OUTSTANDING AT DECEMBER 31, 2015</b>					<b><u>\$ 3,471,162</u></b>

**CITY OF POUGHKEEPSIE, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
SCHEDULE OF SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**PROJECTS**

	<b>Eastman Bixby, LLC</b>	<b>NIC 6 Manor at Woodside Owner LLC</b>	<b>Marshall &amp; Sterling, Inc</b>	<b>Poughkeepsie Landing, LLC</b>	<b>400 Main LLC</b>
<b>Real Property Tax Exemptions:</b>					
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Real Property Tax	416,979	540,178	231,234	454,886	322,211
Mortgage Recording	-	-	-	-	-
<b>TOTALS</b>	<b>\$ 416,979</b>	<b>\$ 540,178</b>	<b>\$ 231,234</b>	<b>\$ 454,886</b>	<b>\$ 322,211</b>
<b>Payments in Lieu of Taxes (PILOTS):</b>					
County	\$ 14,514	\$ 10,817	\$ 23,784	\$ 20,981	\$ 3,462
Local	51,352	38,272	84,150	74,233	14,249
School	75,254	56,086	123,317	108,784	17,947
<b>TOTALS</b>	<b>\$ 141,120</b>	<b>\$ 105,175</b>	<b>\$ 231,251</b>	<b>\$ 203,998</b>	<b>\$ 35,658</b>

**FULL-TIME EQUIVALENT JOBS CREATED AND RETAINED (UNAUDITED)**

# Current FTE employees	8	53	132	200	13
# FTE jobs created during fiscal year	0	0	0	0	0
# Current FTE employees retained during the fiscal year	8	23	130	200	13
# FTE construction jobs created during fiscal year	0	0	0	0	0