

**MIDDLETOWN COMMUNITY  
DEVELOPMENT AGENCY**

FINANCIAL STATEMENTS  
DECEMBER 31, 2015 and 2014

MIDDLETOWN COMMUNITY  
DEVELOPMENT AGENCY  
DECEMBER 31, 2015

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-4
Statement of Financial Position	5
Statement of Activities	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-10
Independent Auditors' Report on Internal Control over Financial Reporting	11-12



*Creating Opportunities in the Numbers*

## INDEPENDENT AUDITORS' REPORT

Board of Directors and Members  
Middletown Community Development Agency  
Middletown, NY

We have audited the accompanying statements of financial position of the Middletown Community Development Agency, as of December 31, 2015 and 2014, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Middletown Community Development Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Middletown Community Development Agency, as of December 31, 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9 2016, on our consideration of the Middletown Community Development Agency 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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 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 operation, economic, or historical context. We applied 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 managements 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.

*Rouis and Company, LLP*

Rouis & Company, LLP  
Wurtsboro, New York  
March 9, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015

This section of the Middletown Community Development Agency audit report presents our discussion and analysis of the Corporation's financial performance during the year ended December 31, 2015. Please read it in conjunction with the Corporation's Financial Statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$74,065
- Cash increased \$19,791
- Operating expenses increased \$2,987
- Changes in net assets and cash are due to Construction in Progress at 53 Prospect Street and a loan from Community Capital.
- See notes to financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This audit report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The corporation's statements follow the accrual basis of accounting and are presented in a manner similar to a private business.

FINANCIAL ANALYSIS OF THE CORPORATION

*Net Assets.* The following table summarizes the changes in Net Assets between December 31, 2015 and 2014.

		2015
Current Assets	\$	67,620
Construction in Progress		55,074
<b>Total Assets</b>		<b>122,694</b>
<b>Total Liabilities</b>		<b>130,000</b>
Unassigned		0
Temporarily Restricted		(62,380)
Nonspendable		55,074
<b>Total Net Assets, Dec 31, 2015</b>	<b>\$</b>	<b>(7,306)</b>
Total Net Assets, Dec 31, 2014		(2,171)
<b>Change in Net Assets</b>	<b>\$</b>	<b>(5,135)</b>



MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015

BUSINESS ACTIVITY

Our purpose is to plan and implement programs involving the rehabilitation and revitalization of both the residential and commercial sectors of the City of Middletown, foster economic growth, provide assistance to public service organizations, eliminate blight, promote neighborhood stabilization, and improve housing opportunities for low and moderate income residents of the City of Middletown.

The Common Council and the MCDA approved an Urban Renewal Plan in 2014 which provides for the various properties taken at the tax sale by the City be transferred to the MCDA and also provides that the City will provide financial and other assistance to the MCDA, so that such properties can be renovated and redeveloped by the MCDA as part of a homebuyer/ home occupancy program.



MIDDLETOWN COMMUNITY  
DEVELOPMENT AGENCY  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEARS ENDED DECEMBER 31,

<b>ASSETS</b>	Unrestricted	Temporarily Restricted	2015	2014
<b>Current Assets:</b>				
Cash	\$ -	\$ 67,620	\$ 67,620	\$ 47,829
<b>Total Current Assets</b>	<u>-</u>	<u>67,620</u>	<u>67,620</u>	<u>47,829</u>
Construction in Progress	-	55,074	55,074	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 122,694</u>	<u>\$ 122,694</u>	<u>\$ 47,829</u>
Loans Payable	-	130,000	130,000	50,000
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>130,000</u>	<u>130,000</u>	<u>50,000</u>
<b>NET ASSETS</b>				
Unassigned	-	-	-	-2,171
Nonspendable	-	55,074	55,074	-
Temporarily Restricted	-	(62,380)	(62,380)	-
<b>TOTAL NET ASSETS</b>	<u>-</u>	<u>(7,306)</u>	<u>(7,306)</u>	<u>(2,171)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ -</u>	<u>\$ 122,694</u>	<u>\$ 122,694</u>	<u>\$ 47,829</u>



MIDDLETOWN COMMUNITY  
 DEVELOPMENT AGENCY  
 STATEMENT OF ACTIVITIES  
 FOR THE YEARS ENDED DECEMBER 31,

	Unrestricted	Temporarily Restricted	2015	2014
<b>SUPPORT AND REVENUE</b>				
Loan Income	\$ -	\$ -	\$ -	\$ -
Interest Income	37	-	37	14
	<u>37</u>	<u>-</u>	<u>37</u>	<u>14</u>
Total Support and Other Revenue	<u>37</u>	<u>-</u>	<u>37</u>	<u>14</u>
<b>OPERATING EXPENSES</b>				
Legal and Professional Fees	4,930	-	4,930	1,440
Office Supplies	59	-	59	745
Printing and Advertising	183	-	183	-
Insurance	-	-	-	-
Miscellaneous	-	-	-	-
	<u>5,172</u>	<u>-</u>	<u>5,172</u>	<u>2,185</u>
Total Expenditures	<u>5,172</u>	<u>-</u>	<u>5,172</u>	<u>2,185</u>
Change in Net Assets	(5,135)	0	(5,135)	(2,171)
NET ASSETS-BEGINNING OF PERIOD	-	-	(2,171)	0
NET ASSETS- END OF PERIOD	<u>\$ (5,135)</u>	<u>\$ 0</u>	<u>\$ (7,306)</u>	<u>\$ (2,171)</u>



MIDDLETOWN COMMUNITY  
DEVELOPMENT AGENCY  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (5,135)	\$ (2,171)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Changes in Operating Assets and Liabilities:		
Depreciation	-	-
Accounts Payable	-	-
Prepaid Expenses	-	-
	<u>          </u>	<u>          </u>
Net Cash Provided By (Used In) Operating Activities	(5,135)	(2,171)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction in Progress	<u>(55,074)</u>	<u>0</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds of Loan Payable Change	80,000	50,000
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 19,791	 47,829
 CASH-BEGINNING OF PERIOD	 <u>47,829</u>	 <u>-</u>
 CASH-END OF PERIOD	 <u>\$ 67,620</u>	 <u>\$ 47,829</u>



MIDDLETOWN COMMUNITY  
DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**

The City of Middletown Community Development Agency (the Corporation) was re-established by NYS legislation on July 18, 2002 at the request of the City of Middletown. It functions as an "Urban Renewal Agency" under Articles 15, 15-A, and Section 633 of Article 15-B of the General Municipal Laws of the State of New York.. The mission of the Corporation is to plan and implement programs involving the rehabilitation and revitalization of both the residential and commercial sectors of the City of Middletown, eliminate blight, foster economic growth, and provide other benefits to the City of Middletown.

The MCDA is comprised of eight board members, a chairman, vice chairman, secretary, treasurer and executive director.

**Financial Reporting Entity**

The MCDA is an independent entity from the City of Middletown government, but pursuant to Section 601-a of the New York General Municipal Law, the City of Middletown Common Council and Mayor are members of the MCDA Board of Directors.

**Basis of Accounting**

The financial statements of the MCDA have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

Financial position and activities are reported according to three classes of net assets as follows:

Unrestricted Net Assets- Represents resources recognized as unrestricted and are available for the support of operations.

Temporarily Restricted Net Assets- Represents resources recognized as restricted until such a time when all associated restrictions have been met.

Permanently Restricted Net Assets- Represents resources that contain a stipulation on that permanently restricts the use of such funds but allows earnings from the funds to be used in a certain manner.



MIDDLETOWN COMMUNITY  
DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**Cash**

For the purposes of the Statement of Cash Flows, the MCDA considers all highly liquid cash accounts and other temporary investments of three months or less as cash equivalents.

**Property, Plant and Equipment**

The MCDA records equipment at historical cost and depreciates the asset on a straight-line basis over its estimated useful life of 5 and 20 years.

**Operating revenues**

In the statement of revenues, expenses and changes in net position, operating revenues and expenses include all activity that is part of the Agency's normal operating activities. Interest earned on cash balances, depreciation and unusual or infrequent items are included as non-operating activities.

**New Accounting Standards**

The Agency has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2015 the Agency implemented the following new standards:

GASB 61 – Financial Reporting Entity

GASB 65 – Items Previously Reported as Assets and Liabilities

GASB 66 – Technical Corrections



MIDDLETOWN COMMUNITY  
DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 2 - CASH AND INVESTMENTS

State statutes govern the MCDA's investment policies. In addition, the Agency has its own written investment policy. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the state. Management is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State and its localities.

The MCDA's bank balances were all covered by federal deposit insurance as of December 31, 2015.

NOTE 3 - COMMITMENTS AND CONTINGENCIES

The City of Middletown gifted and transferred property at 53 Prospect Avenue and 6 Harrison Street to the MCDA to be renovated and developed as single family homes (6 Harrison Street was transferred in 2016). Significant work was done in 2015 to 53 Prospect Ave as it appears as Construction in Progress on the financial statements.

The MCDA has a loan from the City of Middletown totaling \$ 50,000, as of December 31, 2015. The MCDA also has a loan totaling \$ 80,000 from Community Capital of New York. These loans will assist the MCDA with the renovation and redevelopment of 53 Prospect Avenue and 6 Harrison Street and assist with the implementation of the Urban Renewal Plan. The CCNY note is due in full April 30, 2016 or upon sale of the property, and also includes interest at a rate of 6%.

NOTE 3 - SUBSEQUENT EVENTS

The MCDA has evaluated events and transactions that occurred after the balance sheet date but before the financial statements were issued, and nothing material has come to their attention that would require additional disclosure in these notes.



*Creating Opportunities in the Numbers*

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 Members of:  
Middletown Community Development Agency  
Middletown, New York

We have audited the financial statements of Middletown Community Development Agency for the period ended December 31, 2015, which collectively comprise the Middletown Community Development Agency's basic financial statements, and have issued our report thereon dated March 9, 2016. We have 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*, issues by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Middletown Community Development Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Middletown Community Development Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Middletown Community Development Agency's internal control over financial reporting.

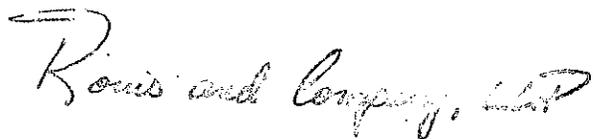
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and other Matters**

As part of obtaining reasonable assurance about whether the Middletown Community Development Agency 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*.

This report is intended solely for the information and use of the Board Members, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specifies parties.



Rouis & Company, LLP

March 9, 2016

