

**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

**FINANCIAL REPORT**

**December 31, 2011**

**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

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**C O N T E N T S**

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	
Overview of Financial Statements	2
Financial Highlights	2
Financial Analysis of the Agency	3
Condensed Statement of Net Assets	3
Condensed Statement of Operating Revenues and Expenses	4
Activities for the Year Ended 2011	4
Contacting the Agency's Financial Management	5
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Assets	6
Statements of Revenues, Expenses, and Changes in Net Assets	7
Statements of Cash Flows	8
Notes to Financial Statements	9-13
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Indebtedness	14
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	15
Schedule of Findings and Responses	16-17

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statement of net assets of the City of Newburgh, New York Industrial Development Agency (a component unit of the City of Newburgh, New York) as of December 31, 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. 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 *Government Auditing Standards* issued by the Comptroller 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 the overall financial statement presentation. We believe our audit provides 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 City of Newburgh, New York Industrial Development Agency as of December 31, 2011, and the changes in its financial position and its cash flows, for the year 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 May 16, 2012, on our consideration of the City of Newburgh, New York Industrial Development 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 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 read in conjunction with this report in considering 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 2 through 5 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 that considers it to be an essential part of basic financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information presented on page 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bollam Sheedy Torani & Co LLP*

Albany, New York  
May 16, 2012

**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011**

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 year ended December 31, 2011, 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 Assets* presents information on the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Agency's financial position.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how the Agency's net assets changed during the year. All changes in net assets 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 *Supplemental Schedule of Indebtedness*.

**Financial Highlights**

- Successfully closed a U.S. Department of Economic Development Administration grant awarded to the City of Newburgh and Agency to undertake public works improvements on adjacent industrial sites owned by the City of Newburgh and Agency. This resulted in reimbursement of \$103,000 to the Agency and \$755,345 to the City of Newburgh.
- The Agency entered into an agreement with Corwin Management to collect \$275,000 in unpaid PILOTs due to the City of Newburgh by December 31, 2011.
- Successfully settled a claim for a note from the City of Newburgh in the amount of \$493,528.
- Completed audits for 2009 and 2010 and contracted for the 2011 audit.

**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011**

**Financial Analysis of the Agency**

The table below presents condensed financial information derived from the Agency's financial statements as of December 31, 2011.

**Condensed Statement of Net Assets**

	<b>2011</b>	<b>2010 (As Restated)</b>	<b>Increase (Decrease) 2011-2010</b>
<b>ASSETS</b>			
Current assets	\$ 1,060,341	\$ 1,188,442	\$ (128,101)
<b>Total assets</b>	<b><u>\$ 1,060,341</u></b>	<b><u>\$ 1,188,442</u></b>	<b><u>\$ (128,101)</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities	\$ 50,811	\$ 59,050	\$ (8,239)
Noncurrent liabilities	454,788	480,240	(25,452)
Total liabilities	505,599	539,290	(33,691)
NET ASSETS, unrestricted	554,742	649,152	(94,410)
<b>Total liabilities and net assets</b>	<b><u>\$ 1,060,341</u></b>	<b><u>\$ 1,188,442</u></b>	<b><u>\$ (128,101)</u></b>

The overall decrease in net assets is due to normal operating activities related to the Agency's efforts to support economic development within the City of Newburgh, as mandated by New York State Law.

Current assets decreased \$128,101 at December 31, 2011. The change was essentially the result of the receipt of a grant and loan receivable in 2011 offset by an operating loss.

Current liabilities decreased \$8,239 at December 31, 2011, as compared to December 31, 2010, due to the timing of certain payments at year-end related to legal and accounting fees incurred by the Agency.

Noncurrent liabilities decreased \$25,452 at December 31, 2011, as compared to December 31, 2010, due to recognition of revenue under the Agency's long-term lease and easement agreements.

**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011**

**Financial Analysis of the Agency - Continued**

The table below present condensed financial information derived from the financial statements of the Agency for the year ended December 31, 2011.

**Condensed Statement of Operating Revenues and Expenses**

	<b>2011</b>	<b>2010</b>	<b>Increase (Decrease) 2011-2010</b>
Operating revenues			
Lease income	\$ 118,940	\$ 115,560	\$ 3,380
Operating expenses			
Administrative fees	84,549	47,520	37,029
Equipment and maintenance	2,005	2,912	(907)
Insurance	1,788	1,704	84
Office expense	604	213	391
Professional fees, accounting	4,038	25,973	(21,935)
Professional fees, legal	90,932	72,181	18,751
Project expenses	27,093	1,124	25,969
Real estate taxes	2,329	10,884	(8,555)
Travel expense	51	-	51
Total expenses	213,389	162,511	50,878
<b>Deficiency of revenue over expenses</b>	<b>\$ (94,449)</b>	<b>\$ (46,951)</b>	<b>\$ (47,498)</b>

**Activities for the Year Ended December 31, 2011**

Lease income increased \$3,380 in 2011 as compared to 2010. This was principally a result of annual increases in lease agreements.

Administrative fees increased in 2011 by \$37,029 as compared to 2010. The Agency entered into several consultant agreements in 2011 to provide management, accounting, and recording services in an effort to improve internal controls and assist in timely reporting to regulatory agencies.

Professional fees decreased in 2011 by \$3,184 as compared to 2010. The Agency continues to incur significant legal fees related to its property at Scobie Drive. The Agency was notified by the United States Environmental Protection Agency (EPA) that it is a Potentially Responsible Party subject to the costs of remediating this property, a portion of the Newburgh Landfill Super Fund site and has been required to enter into an access agreement to permit testing and clean-up activities on the property. The Foundry Project is a historic building slated for redevelopment into condominiums. As a result of property transfer by the City of Newburgh to the Agency, the Agency holds a reverter interest which it may enforce, should the condominiums not be completed in a timely manner. In 2011, the Agency, finding the condominium project beyond the time allotted, and extended, asked Counsel to commence enforcement of the reverter interest and intervene in a foreclosure action against the developer. Corwin Management, owner of a commercial structure, was cited for non-payment of its PILOT. The Agency authorized counsel to negotiate an agreement to collect \$275,000 due to the City of Newburgh by December 31, 2011.

**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011**

**Activities for the Year Ended December 31, 2011 - Continued**

Project expenses increased in 2011 by \$25,969 as compared to 2010. These expenses are related to engineering consultant costs to review clean-up plans for the City of Newburgh Landfill Superfund site as well as prepare an EPA application for remediation of its 15-acre site at Scobie Drive. In addition, the Agency searched real property records on several projects to determine liens and agreements placed on the properties and conducted one title search on an Agency owned property that was taken in rem by the City.

Real estate taxes decreased in 2011 by \$8,555 as compared to 2010. Real estate properties decreased as a result of the Agency advising taxing entities that property owned by an industrial development agency is exempt pursuant to Article 18-A (Industrial Development) of the General Municipal Law, which provides in Section 874(1) as follows: “(1) It is hereby determined that the creation of the agency and the carrying out of its corporate purposes is in all respects for the benefit of the people of the state of New York and is a public purpose, and the agency shall be regarded as performing a governmental function in the exercise of the powers conferred upon it by this title and shall be required to pay no taxes or assessments upon any of its property acquired by it or under its jurisdiction or control or supervision or upon its activities.”

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

**STATEMENT OF NET ASSETS**

	<b>December 31, 2011</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 853,895
Accounts receivable	9,446
Real property held for sale or development	<u>197,000</u>
<b>Total assets</b>	<b><u><u>\$ 1,060,341</u></u></b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 20,109
Security deposits	6,000
Deferred revenue, current	<u>24,702</u>
Total current liabilities	50,811
<b>DEFERRED REVENUE, less current portion</b>	454,788
<b>CONTINGENCIES</b>	
<b>NET ASSETS, unrestricted</b>	<u>554,742</u>
	<b><u><u>\$ 1,060,341</u></u></b>



**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

	<u>Year Ended December 31, 2011</u>
OPERATING REVENUES	
Lease income	\$ 118,940
OPERATING EXPENSES	
Administrative fees	84,549
Equipment and maintenance	2,005
Insurance	1,788
Office expense	604
Professional fees, accounting	4,038
Professional fees, legal	90,932
Project expenses	27,093
Real estate taxes	2,329
Travel expense	51
	<u>213,389</u>
<b>Operating loss</b>	<b>(94,449)</b>
OTHER INCOME	
Interest income	39
<b>Deficiency of revenues over expenses</b>	<b>(94,410)</b>
<b>NET ASSETS, beginning of year, as originally reported</b>	694,152
Prior period adjustment	45,000
<b>NET ASSETS, beginning of year, as restated</b>	<u>649,152</u>
<b>NET ASSETS, end of year</b>	<u><u>\$ 554,742</u></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

**STATEMENT OF CASH FLOWS**

	<b>Year Ended December 31, 2011</b>
	<u>2011</u>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Receipts from providing services	\$ 91,570
Payments to contractors	<u>(65,134)</u>
	<b><u>26,436</u></b>
<b>CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	
Payments received on loans receivable	<u>493,528</u>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>	
Interest income earned	<u>39</u>
<b>Net increase in cash</b>	<b>520,003</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>333,892</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b><u>\$ 853,895</u></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (94,449)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities	
Decrease in	
Accounts receivable	42,332
Grants receivable	103,000
Prepaid expenses	9,244
Accounts payable and accrued expenses	(8,989)
Deferred revenue	<u>(24,702)</u>
	<b><u>\$ 26,436</u></b>

The accompanying Notes to Financial Statements are an integral part of these statements.

**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

**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. The Agency assists with financing arrangements and has the authority to grant mortgage and sales tax exemptions. The Agency is exempt from Federal, State, and local income taxes.

The Agency is considered a component unit of the City of Newburgh, New York. Inclusion in the financial reporting entity, the City of Newburgh, is determined based on financial accountability as defined by GASB Statement No. 14, *The Financial Reporting Entity*. Component units are legally separate entities for which the City of Newburgh 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.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

*b. Basis of Accounting and Financial Statement Presentation*

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

*c. Use of Estimates*

In preparing the financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Fair Value Measurement*

Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an "exit" price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date.

*e. Receivables*

Accounts receivable consist of amounts due from lessees based on rental agreements.

The Agency determines any allowance for doubtful accounts by regularly evaluating individual receivables and considering financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management considers all accounts receivable to be fully collectible; accordingly, there is no allowance at December 31, 2011.

**CITY OF NEWBURGH, NEW YORK**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
**(A Component Unit of the City of Newburgh, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*f. Real Property Held for Sale or Development*

Real property held for sale or development includes various real estate parcels in the City of Newburgh 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 of Newburgh or the State. As of December 31, 2011, the historical value of the Agency's real property held for sale or development amounted to \$197,000. The Agency also owns or has rights to several real estate parcels which are carried at no cost.

*g. Deferred Revenue*

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

*h. 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 fee income is recognized immediately upon issuance of bonds and notes.

At December 31, 2011, the original issue value of bonds issued aggregated \$48,930,000, and the outstanding balance was \$39,451,246.

*i. New Accounting Standards*

On December 31, 2011, the Agency adopted GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that does not conflict with or contradict GASB pronouncements. This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement. The adoption of this statement had no material impact on the financial statements.

*j. Subsequent Events*

The Agency has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through May 16, 2012, the date the financial statements were available to be issued

**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 2 - 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) un-collateralized.

Cash at December 31, 2011, consisted of demand accounts of \$853,895, which were fully insured or collateralized.

**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 provided for significant up-front payments and nominal annual payments thereafter. Payments received in advance are initially deferred and are recognized over the lease terms which range from 10-60 years. Income recognized pursuant to these arrangements approximated \$24,700 during 2011.

The Agency also leases a parcel of land from the City of Newburgh 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 received pursuant to the sublease approximated \$94,200 during 2011.

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, 2011:

For year ending December 31, 2012	\$	95,500
2013		95,500
2014		95,500
2015		95,500
2016		95,500
Thereafter		739,800
		\$ 1,217,300

**NOTE 4 - TAX EXEMPTIONS**

In 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. The Agency is currently working to satisfy those requirements.

**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 5 - PRIOR PERIOD ADJUSTMENT**

Net assets at December 31, 2010, have been restated to reflect a change in the accounting treatment for an initial payment on a 60-year agreement for an easement granted on property owned by the Agency.

	As Originally Stated	Adjustment	As Restated
Deferred revenue	\$ 435,240	\$ 45,000	\$ 480,240
Net assets	694,152	(45,000)	649,152
Non-operating revenues	115,560	(45,000)	70,560
Excess of revenues over expenses	310,283	(45,000)	265,283
Net assets, end of year	694,152	(45,000)	649,152

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

*a. Environmental Risks*

During 2011, the Agency received a Notice of Potential Liability from the United States Environmental Protection Agency (EPA), in which the EPA reported that a small portion of the Newburgh Landfill Superfund Site encroached onto a parcel of land owned by the Agency. The EPA had previously believed that the affected parcel was owned by the City of Newburgh. The Agency has entered into an Access Agreement to permit superfund clean-up activities to be carried out on the Agency parcel. As owner of the area of encroachment, the Agency is potentially responsible under federal law for payment of a portion of the clean-up costs.

At December 31, 2011, the Agency is unable to determine the potential liability as a result of clean-up activities, and no adjustment has been made to the financial statements related to this notice.

*b. City of Newburgh Local Development Corporation*

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 7 - TRANSACTIONS WITH THE CITY OF NEWBURGH**

*a. Note Receivable*

During 2006, the Agency sold its interest in a local property to the City of Newburgh (City) in exchange for a note receivable due from the City. During 2011, the Agency and the City reached a settlement on the amount due under the note and the Agency received \$493,528, the amount due pursuant to the settlement.

*b. 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 paid under the agreement by the Agency to the City were \$44,488 during 2011. Expenses under the agreement for 2012 are expected to approximate \$28,000.

**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 8 - NEW ACCOUNTING PRONOUNCEMENTS**

During June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement is effective for all state and local governments for periods beginning after December 15, 2011.

During June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This statement is effective for periods beginning after June 15, 2011, with earlier application encouraged.

Management has not estimated the extent of potential impact of these standards on the Agency's financial statements.

**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

**SUPPLEMENTAL 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, 2011</u>	<u>Issued During 2011</u>	<u>Principal Payments 2011</u>	<u>Outstanding December 31, 2011</u>	<u>Final Maturity Date</u>
GEMMA	\$ 5,700,000	09/96	Varies	\$ 3,152,919	\$ -	\$ 334,030	\$ 2,818,889	03/18
Bourne & Kenney	4,500,000	07/99	5.75%	3,875,000	-	95,000	3,780,000	02/32
Belvedere Housing, LP	17,500,000	08/04	Varies	14,915,552	-	548,195	14,367,357	07/41
St. Like's Cornwall Hospital Parking Garage	21,230,000	11/05	Varies	19,150,000	-	665,000	18,485,000	10/30
	<u><b>\$ 48,930,000</b></u>			<u><b>\$ 41,093,471</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 1,642,225</b></u>	<u><b>\$ 39,451,246</b></u>	



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND ON 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 the financial statements of the City of Newburgh, New York Industrial Development Agency (Agency) as of and for the year ended December 31, 2011, and have issued our report thereon dated May 16, 2012. 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.

Internal Control Over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal controls 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.

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. However, we did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as Item 11-01, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as Items 11-02 and 11-03.

The Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and members of the Agency Board, the New York State Office of the State Comptroller, and the New York State Authorities Budget Office and is not intended to be and should not be used by anyone other than these specified parties.

*Bollam Sheedy Torani & Co LLP*

Albany, New York  
May 16, 2012

**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

**SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2011**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

**Internal control over financial reporting:**

- Material weaknesses identified? \_\_\_\_\_ Yes      X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_   X   Yes    \_\_\_\_\_ None Reported
- Noncompliance material to financial statements? \_\_\_\_\_ Yes      X   No

**Section II - Financial Statement Findings**

**11-01. Financial Reporting**

*Criteria:* The Agency's trial balance did not properly reflect 2011 activity.

*Condition:* Significant adjustments were needed to properly report the 2011 activity.

*Effect:* The Agency's general ledger did not include all 2011 activity resulting in an overstatement of operating income.

*Cause:* Improper posting of cash receipts, disbursements, and accruals.

*Recommendation:* The Agency should consider a monthly or quarterly reconciliation of balance sheet accounts.

*View of Responsible Officials:* This recommendation is accepted by the Agency.

**Section III - Compliance Findings**

**11-02. Annual and Audited Reports Filed in the Public Authorities Reporting Information System (PARIS)**

*Criteria:* In accordance with Section 2800 of Public Authorities Law, local authorities must file an annual report and audited report 90 days of end of fiscal year.

*Condition:* The Agency was not in compliance with Section 2800 of Public Authorities Law.

*Effect:* The Agency is listed as delinquent with the New York State Authorities Budget Office (ABO) and is no longer able to offer financial assistance in the form of State Tax Exemptions.

*Cause:* The Agency experienced a turnover in management.

*Recommendation:* The Agency should file its annual report as soon as possible and assign an individual to complete and file the report prior to the ABO deadline in the future.

*View of Responsible Officials:* The Agency will be in compliance with ABO requirements by May 16, 2012, following the adoption of its 2011 audit. The Agency has retained an experienced professional who will be responsible for future compliance. A firm has been retained to complete the 2012 annual audit with sufficient time to meet the 2012 PARIS submission date.

**CITY OF NEWBURGH, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
(A Component Unit of the City of Newburgh, New York)**

**SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2011**

**Section III - Compliance Findings - Continued**

**11-03. Posting and Maintaining Reports on Public Authority Websites**

*Criteria:* The New York State Authorities Budget Office (ABO) issued Policy Guidance on April 12, 2010, in response to the Public Authorities Reform Act (PARA) of 2009. This guidance states that effective immediately, public authorities are required to make specific information available to the public through the internet.

*Condition:* The Agency is not in full compliance with PARA requirements.

*Effect:* The Agency is missing specific documentation required by PARA.

*Cause:* The Agency did not oversee proper maintenance of the shared website.

*Recommendation:* Using available ABO guidance, the Agency should update its website and schedule periodic maintenance and review to ensure required information is available to the public in a timely manner.

*View of Responsible Officials:* The Agency's Executive Director will review the ABO's Policy Guidance of April 2010 and ensure that the Agency's PARA website is updated as required.