

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2011**

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
TABLE OF CONTENTS
DECEMBER 31, 2011**

<u>DESCRIPTION</u>	<u>PAGE(S)</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-4
FINANCIAL STATEMENTS:	
Statement of Net Assets	5
Statement of Revenues, Expenses and Changes in Net Assets (Deficit)	6
Statement of Cash Flows	7
Notes to the Financial Statements.....	8-11
OTHER SUPPLEMENTAL INFORMATION:	
Schedule of Indebtedness	12
Schedule of Supplemental Information	13
Independent Auditors' 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	14-15

INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Poughkeepsie, New York
City of Poughkeepsie Industrial Development Agency
Municipal Building
62 Civic Center Plaza
Poughkeepsie, New York 12601

We have audited the accompanying financial statements of the business-type activities of the City of Poughkeepsie Industrial Development Agency (the Agency), a component unit of the City of Poughkeepsie, as of December 31, 2011, and for the year then ended which collectively comprise the Agency's basic financial statements for the year then ended as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these basic 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that 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 respective financial position of the business-type activities of the City of Poughkeepsie Industrial Development Agency, as of December 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof 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 March 28, 2012 on our consideration of the City of Poughkeepsie 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 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 important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Poughkeepsie Industrial Development Agency's financial statements as a whole. The schedules of indebtedness and supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of indebtedness and supplementary information 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.

Sedon Company, CPAs, PC

Poughkeepsie, New York
March 28, 2012

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011**

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 Industrial Development Agency for the year ended December 31, 2011, 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 increased in 2011. This was due to receiving state reimbursements which were outstanding from previous years. Total Expenses increased in 2011 from 2010 due to payments made to Hudson River Housing, Inc. for capital and organizational costs related to the proposed Homeless Assistance Program.

SUMMARY OF OPERATIONS

	December 31, <u>2011</u>	December 31, <u>2010</u>	<u>\$ Change</u>
Total Revenues	\$ 30,413	\$ 109	\$ 30,304
Total Expenses	<u>(63,713)</u>	<u>(9,327)</u>	<u>(54,386)</u>
Change in Net Assets	<u>\$ (33,300)</u>	<u>\$ (9,218)</u>	<u>\$ (24,082)</u>

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D.)
DECEMBER 31, 2011**

FINANCIAL POSITION SUMMARY

Net Assets serve as an indicator of the Agency's financial position. At December 31, 2011 and 2010, Net Assets were a deficit of \$(352,946) and \$(319,646) respectively, because project costs exceeded the State Aid.

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Total Assets	<u>\$ 102,680</u>	<u>\$ 131,106</u>
Total Liabilities	<u>\$ 455,626</u>	<u>\$ 450,752</u>
Net Assets (deficit)	<u>\$ (352,946)</u>	<u>\$ (319,646)</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 ASSETS
DECEMBER 31, 2011**

ASSETS

Cash and Cash Equivalents	\$ 102,680
Total Assets	\$ 102,680

LIABILITIES AND NET ASSETS

Accounts Payable and Liabilities Due to Community Development	\$ 10,375 445,251
Total Liabilities	455,626
Undesignated Net Assets (Deficit)	(352,946)
Total Net Assets	(352,946)
Total Liabilities and Net Assets	\$ 102,680

The Independent Auditors' Report and the Notes to the Financial Statements
should be read in conjunction with this financial statement.

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2011**

REVENUES

Investment Earnings	\$ 75
Other Revenues	<u>30,338</u>
Total Revenues	<u>30,413</u>

EXPENSES

Contract Services	<u>63,713</u>
Total Expenses	<u>(63,713)</u>
Excess of Revenues or (Expenses)	(33,300)
Net Assets, January 1, 2011	<u>(319,646)</u>
Net Assets, December 31, 2011	<u><u>\$ (352,946)</u></u>

The Independent Auditors' Report and the Notes to the Financial Statements
should be read in conjunction with this financial statement.

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Cash Flows from Operating Activities:

Excess of (Expenses Over Revenues)	\$ (33,300)
Increase in Accounts Payable	<u>4,874</u>
Net Cash Used by Operating Activities	<u>(28,426)</u>
Net Decrease in Cash and Cash Equivalents	(28,426)
Cash and Cash Equivalents, January 1, 2011	<u>131,106</u>
Cash and Cash Equivalents, December 31, 2011	<u><u>\$ 102,680</u></u>

The Independent Auditors' Report and the Notes to the Financial Statements
should be read in conjunction with this financial statement.

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. Organization and Summary of Significant Accounting Policies

Organization and Purpose:

The City of Poughkeepsie 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.

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011**

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

The Agency's policy is to apply, first, (a) all GASB pronouncements, and then (b) Financial Accounting Standards Board Statements and Interpretations, APB Opinions, and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

In June 1999, the GASB approved Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant policies in the Statement, which affect the financial statements of the IDA include the following:

The financial statements include a Management Discussion and Analysis (MD&A) section providing an analysis of the IDA's overall financial position and results of operations. The IDA's basis of accounting has not changed, but financial statement titles have changed to focus on "Net Assets."

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.

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011**

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

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.

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.

2. Industrial Revenue Bonds

Bonds authorized by the IDA and issued through various lending institutions are designated as special obligations of the IDA and payable solely from the revenues and other assets pledged as collateral against the bonds. While in most instances the IDA 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 IDA does not act as a guarantor in the event of default. Accordingly, recourse on the part of the lending institution against the IDA is limited to collateralization properties and revenues as specified in the body of the applicable financing agreement. Additionally, in each of these financings, the IDA 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 IDA does not reflect such bonds or related properties on its financial statements. Industrial revenue bonds authorized by the IDA and outstanding at December 31, 2011, total \$18,282,215. See Other Supplemental Information on page 12 of this report for more on Industrial Revenue Bonds.

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011**

3. Commitments

On January 10, 2011, the Agency, along with the City of Poughkeepsie (“the City”), entered into a memorandum of understanding with Hudson River Housing, Inc. (“HRH”), a not-for-profit organization based in Poughkeepsie, NY. 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 (“the 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 IDA 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. Payments made by the IDA under this agreement for 2011 amounted to \$55,042.

OTHER SUPPLEMENTAL INFORMATION

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF INDEBTEDNESS (UNAUDITED)
DECEMBER 31, 2011**

<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 12/31/2011</u>
Eastman & Bixby Redevelopment Company, LLC	Developers	\$ 8,500,000	August-00	Variable	\$ 3,877,215
Woodside Assoc., LLP	Assisted Living Home	17,250,000	Dec-99	Variable	<u>14,405,000</u>
TOTAL BONDS OUTSTANDING AT DECEMBER 31,2011					<u>\$ 18,282,215</u>

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF SUPPLEMENTAL INFORMATION (UNAUDITED)
DECEMBER 31, 2011**

PROJECTS

	Woodside				
	Eastman Bixby, LLC	Associates, LLP	Marshall & Sterling, Inc	Poughkeepsie Landing, LLC	400 Main LLC
Real Property Tax Exemptions:					
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Real Property Tax	374,440	495,582	167,947	275,323	234,025
Mortgage Recording	-	-	-	-	-
TOTALS	\$ 374,440	\$ 495,582	\$ 167,947	\$ 275,323	\$ 234,025

Payments in Lieu of Taxes (PILOTS):

County	\$ 15,831	\$ 8,904	\$ 17,889	\$ 23,252	\$ 3,408
Local	55,269	31,085	62,452	81,176	11,897
School	71,140	40,011	80,386	104,487	15,314
TOTALS	\$ 142,240	\$ 80,000	\$ 160,727	\$ 208,915	\$ 30,619

FULL-TIME EQUIVALENT JOBS CREATED AND RETAINED (UNAUDITED)

# Current FTE employees	6	59	109	200	15
# FTE jobs created during fiscal year	0	0	3	0	2
# Current FTE employees retained during the fiscal year	6	59	106	200	13
# FTE construction jobs created during fiscal year	0	0	0	0	0



HUDSON VALLEY CPAs

Navigating Your Success

Partners

Mark S. O'Sullivan, CPA

James E. Lettichio, Jr., CPA

Linda M. Harrington, CPA

James L. S. Albrecht, CPA

Charles P. Egan, Jr., CPA

**INDEPENDENT AUDITORS' 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 Common Council
City of Poughkeepsie, New York
City of Poughkeepsie Industrial Development Agency
Municipal Building
62 Civic Center Plaza
Poughkeepsie, New York 12601

We have audited the financial statements of the business-type activities of the City of Poughkeepsie, New York Industrial Development Agency (the Agency), a component unit of the City of Poughkeepsie, as of and for the year ended December 31, 2011, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 28, 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

In planning and performing our audit, we considered the City of Poughkeepsie, New York Industrial 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 City of Poughkeepsie, New York Industrial 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 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 the internal control over financial reporting 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 deficiencies, significant deficiencies,

Poughkeepsie Office

2678 South Road - Suite 101 - Poughkeepsie, New York 12601

Tel: (845) 485-5510 Fax: (845) 485-5517 Email: info@sedoreco.com Web: www.sedoreco.com

POUGHKEEPSIE • PORT JERVIS • FISHKILL

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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described as follows:

1. The Agency continues to operate at a deficit and has an accumulated net asset deficit of \$352,946 as of December 31, 2011. Management believes that there are potential development opportunities forthcoming which would allow the Agency to continue fulfilling its intended purpose.

This report is intended solely for the information and use of management, the Chairman, Agency Board, and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Sedore & Company, CPAs, PC

Poughkeepsie, New York
March 28, 2012