# CITY OF POUGHKEEPSIE, NEW YORK INDUSTRIAL DEVELOPMENT AGENCY

### FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

# CITY OF POUGHKEEPSIE, NEW YORK INDUSTRIAL DEVELOPMENT AGENCY TABLE OF CONTENTS <u>DECEMBER 31, 2008</u>

<u>DESCRIPTION</u>	PAGE(S)
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-4
FINANCIAL STATEMENTS:	
Statement of Net Assets	5
Statements of Revenues, Expenses and Changes in Net Assets (Deficit)	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-10
OTHER SUPPLEMENTAL INFORMATION:	
Schedule of Indebtedness	11
Schedule of Supplemental Information	12
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	13-14



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#### 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 City of Poughkeepsie Industrial Development Agency (the Agency), as of December 31, 2008, and for the year then ended which collectively comprise the Agency's basic financial statements for the years 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, 2008, 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 April 13, 2009 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.

The Management's Discussion and Analysis as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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 basic financial statements. The schedules of indebtedness and supplementary information are presented for purposes of additional analysis and are not a required part of the basic 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 express no opinion on them.

Poughkeepsie, New York

Sedou & Company, CPA'S

April 13, 2009

# CITY OF POUGHKEEPSIE, NEW YORK INDUSTRIAL DEVELOPMENT AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2008

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, 2008, as mandated by GASB #34. This information should be reviewed in conjunction with the audited financial statements of the Agency.

### **FINANCIAL OPERATIONS HIGHLIGHTS**

There was a slight decrease in Net Assets in 2008, from \$(300,562) to \$(301,958).

Total Revenues decreased in 2008. This was due to the elimination of charges for services. Total Expenses decreased in 2008. This was due to a reduction in Contract expenditures and the elimination of other expenditures.

#### SUMMARY OF OPERATIONS

Total Expenses	\$27.987
Other Expenses	1,206
Contract Services	22,781
Professional Fees	\$4,000
EXPENSES:	ф4.000
Total Revenues	<u>\$6,166</u>
Charges for Services	5,000
Interest Earnings	\$1,166
REVENUES:	2007
Total Expenses	<u>\$1,950</u>
EXPENSES: Contract Services	<u>\$1,950</u>
<b>Total Revenues</b>	<u>\$554</u>
Interest Earnings	<u>\$554</u>
<b>REVENUES:</b>	2008

# CITY OF POUGHKEEPSIE, NEW YORK INDUSTRIAL DEVELOPMENT AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED - CONT'D.) DECEMBER 31, 2008

#### **FINANCIAL POSITION SUMMARY**

Net Assets serve as an indicator of the Agency's financial position. At December 31, 2007 and 2008, Net Assets were a negative \$(300,562) and \$(305,208) respectively, because project costs exceeded the State Aid.

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 <u>DECEMBER 31, 2008</u>

#### **ASSETS**

Cash and Cash Equivalents

\$556,042

**Total Assets** 

\$556,042

#### **LIABILITIES AND NET ASSETS (DEFICIT)**

Accounts Payable and Liabilities  Due to Community Development	\$8,000 <u>850,000</u>				
Total Liabilities	<u>858,000</u>				
Undesignated Net Assets (Deficit)	(301,958)				
Total Net Assets (Deficit)	(301,958)				
Total Liabilities and Net Assets (Deficit)	\$556.042				

The Independent Auditors' Report and the accompanying Notes to the Financial Statements are an integral part of this financial statement.

# CITY OF POUGHKEEPSIE, NEW YORK INDUSTRIAL DEVELOPMENT AGENCY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT) FOR THE YEAR ENDED DECEMBER 31, 2008

#### **REVENUES:**

Investment Earnings	<u>\$554</u>
Total Revenues	<u>554</u>
EXPENSES:	
Contract Services	1,950
Total Expenses	(1,950)
Excess of (Expenses Over Revenues)	(1,396)
Net Assets (Deficit), January 1, 2008	(300,562)
Net Assets (Deficit), December 31, 2008	<u>\$(301,958)</u>

The Independent Auditors' Report and the accompanying Notes to the Financial Statements are an integral part of these financial statements.

### CITY OF POUGHKEEPSIE, NEW YORK INDUSTRIAL DEVELOPMENT AGENCY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2008

### Cash Flows From Operating Activities:

Cash and Cash Equivalents, December 31, 2008	<u>\$ 556,042</u>
Cash and Cash Equivalents, January 1, 2008	556,736
Net (Decrease) in Cash and Cash Equivalents	(694)
Net Cash (Used) by Operating Activities	_(,694)
Net Change in Assets/Liabilities	702
Increase in Accounts Payable and Accrued Liabilities	702
Excess of (Expenses Over Revenues)	<u>\$(1,396)</u>

The Independent Auditors' Report and the accompanying Notes to the Financial Statements are an integral part of this financial statement.

# CITY OF POUGHKEEPSIE, NEW YORK INDUSTRIAL DEVELOPMENT AGENCY NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2008

#### 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.) <u>DECEMBER 31, 2008</u>

#### 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 statues 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, 2008

#### 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, 2008, total \$19,982,701.

# OTHER SUPPLEMENTAL INFORMATION

# CITY OF POUGHKEEPSIE, NEW YORK INDUSTRIAL DEVELOPMENT AGENCY SCHEDULE OF INDEBTEDNESS FOR THE YEAR ENDED DECEMBER 31, 2008

PROJECT NAME	PROJECT PURPOSE	ORIGINAL ISSUE <u>AMOUNT</u>	ORIGINAL ISSUE <u>DATE</u>	INTEREST RATE	OUTSTANDING BALANCE 12/31/2008		
Eastman & Bixby Redevelopment Company, LLC	Developers	\$8,500,000	8/2000	Variable	\$4,112,701		
Woodside Assoc., LLP	Assisted Living Home	\$17,250,000	12/1999	Variable	15,870,000		
TOTAL BONDS OUTSTANDING AT DECEMBER 31, 2008 \$19,982,701							

# CITY OF POUGHKEEPSIE, NEW YORK INDUSTRIAL DEVELOPMENT AGENCY SCHEDULE OF SUPPLEMENTAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2008

# PROJECTS

		astman kby, LLC	As	Woodside sociates, LLP		larshail & erling, Inc		ıghkeepsie nding, LLC
Real Property Tax Exemptions: Sales Tax Real Property Tax Mortgage Recording	\$	- 311,591 -	\$	412,400	\$	- 139,758 -	\$	229,111 -
TOTALS	\$	311,591	\$	412,400	\$	139,758	\$	229,111
Payments in Lieu of Taxes (PILOTS): County Local School TOTALS	\$	14,694 58,774 73,467 146,935		5,493 21,972 27,465 54,930	\$	13,573 54,290 67,862 135,725	ŕ	18,289 73,156 71,445 162,890
FULL-TIME EQUIVALENT JOBS CREATED AND RETAINED (UNAUDITED)								
# Current FTE employees # FTE jobs created during fiscal year # Current FTE employees retained		6 0		59 0		108		200 0
during the fiscal year # FTE construction jobs created		6	i	59		108	3	200
during fiscal year		0	}	0		(	)	0



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### 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), as of and for the year ended December 31, 2008, which collectively comprise the basic financial statements of the Agency and have issued our report thereon dated April 13, 2009. 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 opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Poughkeepsie, New York Industrial Development Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control

Poughkeepsie Office

deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more that inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more that a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in internal control that might be 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 City of Poughkeepsie Industrial 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 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.

Sedare & Company, CPH'S:
Poughkeepsie, New York

April 13, 2009