

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

Financial Report

December 31, 2015 and 2014

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

Financial Report

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Newburgh, New York Industrial Development Agency (Agency), a component unit of the City of Newburgh, New York, which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 6 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

SaxBST LLP

Albany, New York
March 21, 2016



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, 2015 and 2014

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 years ended December 31, 2015 and 2014, 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 Position* presents information on the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Agency's financial position.

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

Financial Highlights

- In 2012, after a hiatus of 5 years, the Agency successfully filed previously outstanding audits and PARIS reports. The Agency is now in compliance and able to initiate bond and straight lease projects consistent with General Municipal Law Article 18A.
- In December 2012, the Agency and a developer were advised by the NYS Department of Environmental Conservation that the Agency's Scobie Drive property was eligible to enter the Brownfield Cleanup Program. The first phase of the program investigated the costs for remediation of the site, suitable for development of a 200,000 square foot manufacturing facility. A contract to convey the property to the developer was executed in 2014. To further the development of the property, the City of Newburgh and the Agency applied for a \$4.1 million grant from the U.S. Economic Development Administration for construction of public infrastructure to support the planned facilities. The grant will require a local match of 30%. In early 2015, the developer notified the Agency that they would be unable to pursue the clean-up under the program. The Agency is currently seeking other means to complete the work covered under the program.

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Management's Discussion and Analysis
December 31, 2015 and 2014

Financial Highlights - Continued

- In late 2013, the Agency created a Small Business Straight Lease program to facilitate projects requiring less than \$100,000 in benefits. The program consists of application and contract templates to lessen the burden of the cost of preparation and legal services on applicants. Fees generated from the program have been minor.

Financial Analysis of the Agency

The table below presents condensed financial information derived from the Agency's financial statements as of December 31, 2015 and 2014.

Condensed Statement of Net Position

	2015	2014	Increase (Decrease) 2015-2014
ASSETS			
Current assets	<u>\$ 910,667</u>	<u>\$ 898,448</u>	<u>\$ 12,219</u>
LIABILITIES AND NET POSITION			
Current liabilities	\$ 28,175	\$ 34,985	\$ (6,810)
Noncurrent liabilities	360,783	380,682	(19,899)
Total liabilities	<u>388,958</u>	<u>415,667</u>	<u>(26,709)</u>
NET POSITION, unrestricted	<u>521,709</u>	<u>482,781</u>	<u>38,928</u>
Total liabilities and net position	<u>\$ 910,667</u>	<u>\$ 898,448</u>	<u>\$ 12,219</u>

The overall increase in net position in 2015 was principally due to operating income earned by the Agency.

Current assets increased approximately \$12,000 for the year ended December 31, 2015. The change was essentially the result of the 2015 operating cash flows.

Current liabilities decreased approximately \$7,000 during 2015 due principally to the return of a security deposit in 2015.

Noncurrent liabilities decreased approximately \$20,000 during 2015 due to recognition of revenue under the Agency's long-term lease and easement agreements.

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Management's Discussion and Analysis
December 31, 2015 and 2014

Financial Analysis of the Agency - Continued

The table below present condensed financial information derived from the financial statements of the Agency for the years ended December 31, 2015 and 2014.

Condensed Statement of Operating Revenues and Expenses

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease) 2015-2014</u>
Operating revenues			
Lease income	\$ 144,336	\$ 265,474	\$ (121,138)
Operating expenses			
Administrative fees	30,343	40,304	(9,961)
Equipment and maintenance	-	1,066	(1,066)
Insurance	2,582	2,611	(29)
Office expense	819	503	316
Professional fees, accounting	9,750	9,750	-
Professional fees, legal	44,448	41,758	2,690
Project expenses	14,993	-	14,993
Travel expense	671	40	631
Miscellaneous	2,841	1,615	1,226
Total expenses	<u>106,447</u>	<u>97,647</u>	<u>8,800</u>
Excess (deficiency) of revenue over expenses	<u>\$ 37,889</u>	<u>\$ 167,827</u>	<u>\$ (129,938)</u>

Activities for the Year Ended December 31, 2015

Lease income decreased \$121,138 in 2015, as compared to 2014, principally relating to the collection of an annual lease contract in 2014 that was not received in 2013. The decrease was somewhat mitigated by escalation factors in the lease agreements.

Administrative fees decreased in 2015 by \$6,961, as compared to 2014. The Agency entered into several consultant agreements in 2013 to provide management, accounting, and recording services in an effort to improve internal controls and assist in timely reporting to regulatory agencies. The services required in 2015 from the consultants were less than those required in 2014.

Aggregate professional fees increased in 2015 by \$2,690, as compared to 2014. The Agency continues to incur legal fees related to certain of its properties.

Project expenses increased in 2015 by \$14,993, as compared to 2014, principally attributable to costs incurred related to the Agency's Scobie Drive property and the Brownfield Cleanup Program.

City of Newburgh, New York
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Management's Discussion and Analysis
December 31, 2015 and 2014

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
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Statements of Net Position

	December 31,	
	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 909,354	\$ 889,581
Accounts receivable	100	7,597
Prepaid expenses	1,213	1,270
	\$ 910,667	\$ 898,448
Total assets	\$ 910,667	\$ 898,448
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,073	\$ 4,283
Security deposits	2,400	6,000
Unearned revenue, current	24,702	24,702
Total current liabilities	28,175	34,985
UNEARNED REVENUE, less current portion	360,783	380,682
Total liabilities	388,958	415,667
CONTINGENCIES		
NET POSITION, unrestricted	521,709	482,781
	\$ 910,667	\$ 898,448

See accompanying Notes to Financial Statements.

City of Newburgh, New York
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Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2015	2014
OPERATING REVENUES		
Lease income	\$ 144,336	\$ 265,474
OPERATING EXPENSES		
Administrative fees	30,343	40,304
Equipment and maintenance	-	1,066
Insurance	2,582	2,611
Office expense	819	503
Professional fees, accounting	9,750	9,750
Professional fees, legal	44,448	41,758
Project expenses	14,993	-
Travel expense	671	40
Miscellaneous	2,841	1,615
	106,447	97,647
Operating income	37,889	167,827
OTHER INCOME		
Other	-	3,133
Interest income	1,039	305
	1,039	3,438
Change in net position	38,928	171,265
NET POSITION, <i>beginning of year</i>	482,781	311,516
NET POSITION, <i>end of year</i>	\$ 521,709	\$ 482,781

See accompanying Notes to Financial Statements.

City of Newburgh, New York
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Statements of Cash Flows

	Years Ended December 31,	
	2015	2014
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Receipts from customers	\$ 131,934	\$ 233,175
Payments to vendors	(109,600)	(102,987)
Refund of customer security deposits	(3,600)	-
	18,734	130,188
 CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		
Reimbursement of expenses	-	3,133
 CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest income earned	1,039	305
 Net increase in cash and cash equivalents	19,773	133,626
 CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	889,581	755,955
 CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 909,354	\$ 889,581
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 37,889	\$ 167,827
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in operating assets and liabilities		
Accounts receivable	7,497	(7,597)
Prepaid expenses	57	90
Refund of customer security deposits	(3,600)	-
Accounts payable and accrued expenses	(3,210)	(5,430)
Unearned revenue	(19,899)	(24,702)
	\$ 18,734	\$ 130,188

See accompanying Notes to Financial 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, 2015 and 2014

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, New York (City). The Agency assists with financing arrangements and has the authority to grant mortgage and sales tax exemptions.

The Agency is considered a component unit of the City. Inclusion in the financial reporting entity is determined based on financial accountability as defined by Governmental Accounting Standards Board's (GASB) Statement No. 14, *The Financial Reporting Entity*. Component units are legally separate entities for which the City 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.

b. Basis of Accounting and Financial Statement Presentation

The Agency's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Agency is determined by its measurement focus. The transactions of the Agency are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statements of net position. Net position is segregated into restricted and unrestricted components, as follows:

- *Restricted net position* consists of assets that are restricted by the Board for specific purposes, and
- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of restricted net position.

c. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Tax Status

The Agency is exempt from federal, state, and local income taxes.

City of Newburgh, New York
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Notes to Financial Statements
December 31, 2015 and 2014

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

e. Cash and Cash Equivalents

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 Federal Deposit Insurance Corporation (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 FDIC 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) uncollateralized.

Cash balances at both December 31, 2015 and 2014 were fully insured or collateralized.

f. Accounts Receivable

Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

g. Real Property Held for Sale or Development

Real property held for sale or development includes various real estate parcels in the City 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 or the State. The Agency also owns or has rights to several real estate parcels which are carried at no cost.

h. Unearned Revenue

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

i. Payment in Lieu of Taxes (PILOT)

The Agency enters into and administers PILOT agreements for various unrelated business entities located in Orange County. Under the terms of the PILOT agreements, title to property owned by the unrelated business entity is transferred to the Agency for a certain period of time. During the period in which the Agency holds title, the business entity pays a PILOT to the Agency based on a calculation defined by the specific agreement. The PILOTs allow the companies to make payments that are less than the property taxes that would be paid on the related property's assessed value. Once the PILOT is received, the Agency remits the PILOT to the respective taxing authorities. Certain requirements, as defined by each agreement, are to be met by the company to be able to maintain its PILOT. These requirements, as stated in the PILOT agreement, can be comprised of reaching and maintaining certain employment goals and paying its PILOT in a timely fashion. At the completion of the PILOT, title to the property is transferred back to the third-party business owner, and the property goes back on the tax rolls.

City of Newburgh, New York
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Notes to Financial Statements
December 31, 2015 and 2014

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

i. Payment in Lieu of Taxes (PILOT) - Continued

As part of the PILOT program, the Agency generates fees for administering the PILOT agreement. These fees are reported as “charges for services” in these financial statements. The Agency also administers bonds for several projects and receives an administrative fee upon issuance of the bond.

PILOT receipts and PILOT payments are accounted for as pass-through transactions and are not included in the revenues or expenses of the Agency. The Agency is responsible for collecting and remitting the funds, and the City ultimately bears the risk of loss if PILOT payments are not paid to the Agency by the respective companies.

j. 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 are 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 fees are recognized immediately upon issuance of bonds and notes.

k. Revenue Recognition

Revenue is generated from project application and administrative fees, as well as long-term leases. Revenues are recognized when earned, and expenses are recognized when incurred. The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues are determined based on the services provided by the Agency. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

l. Subsequent Events

The Agency has evaluated subsequent events for potential recognition or disclosure through March 21, 2016, the date the financial statements were available to be issued.

City of Newburgh, New York
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Notes to Financial Statements
December 31, 2015 and 2014

Note 2 - Conduit Debt Obligations

From time to time, the Agency has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the interest of the public. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Agency, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

At December 31, 2015 and 2014, the original issue value of bonds issued aggregated \$48,930,000, and the outstanding balance was \$33,117,940 and \$34,609,324, respectively.

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 provide for significant up-front payments and nominal annual payments thereafter. Payments received in advance are initially recorded as unearned and are recognized over the lease terms which range from 10 to 60 years. Income recognized pursuant to these arrangements approximated \$24,700 during each of the years ended December 31, 2015 and 2014.

The Agency also leases a parcel of land from the City 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 pursuant to the sublease approximated \$120,000 and \$241,000 during 2015 and 2014, respectively.

Due to the subleasing arrangement with the cell tower operator, the Agency is dependent upon the lessee to negotiate terms of, and monitor payments pursuant to, the carrier agreements. Accordingly, leasing revenues and payment terms are subject to change without the Agency's direct knowledge.

Note 4 - Contingencies

a. Environmental Risks

During 2013, the Agency entered into a contract for the sale for its 5 Scobie Drive property with a third party. The contract required the purchaser to undertake and fund the cost of processing an application for the property to be included in New York State's DEC Brownfield Cleanup Program (Project) and committing to undertake the remediation plan and remediate the site. Closing on the sale of the property is contingent on the successful remediation of the site. As the sale was for a nominal amount, during 2013 the Agency wrote down the carrying value to zero.

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Notes to Financial Statements
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Note 4 - Contingencies - Continued

a. Environmental Risks - Continued

During 2015, the third party notified the Agency that they would not be able to participate, together with the Agency, in the Project. Project expenses in 2015 include costs incurred by the Agency related to the Project.

b. City of Newburgh Local Development Corporation

As of both December 31, 2015 and 2014, the Agency has fully reserved \$752,740 due from the City of Newburgh Local Development Corporation (LDC) as the LDC is inactive and does not have sufficient working capital to make payments to the Agency.

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Supplementary 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, 2015</u>	<u>Issued During 2015</u>	<u>Principal Payments 2015</u>	<u>Outstanding December 31, 2015</u>	<u>Final Maturity Date</u>
GEMMA	\$ 5,700,000	09/96	8.50%	\$ 1,628,978	\$ -	\$ 468,732	\$ 1,160,246	03/18
Bourne & Kenney	4,500,000	07/99	5.75%	3,400,000	-	60,000	3,340,000	02/32
Belvedere Housing, LP	17,500,000	08/04	Varies	13,240,346	-	192,652	13,047,694	07/41
St. Luke's Cornwall Hospital Parking Garage	21,230,000	11/05	Varies	16,340,000	-	770,000	15,570,000	10/30
	<u>\$ 48,930,000</u>			<u>\$ 34,609,324</u>	<u>\$ -</u>	<u>\$ 1,491,384</u>	<u>\$ 33,117,940</u>	

**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***

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

We have audited, 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, the statement of net position of the City of Newburgh, New York Industrial Development Agency (Agency), a component unit of the City of Newburgh, New York, as of December 31, 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SaxBST LLP

Albany, New York
March 21, 2016

