

March 24, 2014

Chairman and Agency Board
City of Newburgh, New York
Industrial Development Agency
83 Broadway
Newburgh, New York 12550

Dear Chairman and Agency Board:

We are pleased to present this report related to our audit of the financial statements of the City of Newburgh, New York Industrial Development Agency (Agency), a component unit of the City of Newburgh, New York, for the year ended December 31, 2013. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Agency's financial reporting process.

This report is intended solely for the information and use of the Chairman, Agency Board, and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to the Agency.

Very truly yours,

SaxBST LLP



Paul L. Goetz, Partner

PLG/dmc



City of Newburgh, New York Industrial Development Agency

Communication with Those Charged With Governance
Year Ended December 31, 2013

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities and the Planned Scope and Timing of the Financial Statement Audit

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated December 5, 2013.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Agency. Following is a description of accounting standards the Agency adopted during the year to comply with accounting principles generally accepted in the United States of America (U.S. GAAP):

Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, *Technical Corrections*, establishes clarifications on two recently issued statements, No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

City of Newburgh, New York Industrial Development Agency

Communication with Those Charged With Governance
Year Ended December 31, 2013

Accounting Policies and Practices - Continued

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Exhibit A, Summary of Significant Accounting Estimates.

Audit Adjustments

Audit adjustments proposed by us and recorded by the Agency are shown on the attached Exhibit B, Summary of Recorded Audit Adjustments.

Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed with or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Agency, including the representation letter provided to us by management, are attached as Exhibit C.

**City of Newburgh, New York
Industrial Development Agency**

Communication with Those Charged With Governance
Year Ended December 31, 2013

We will be pleased to respond to any questions you have about these matters. We appreciate the opportunity to be of service to you.

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

Very truly yours,

SaxBST LLP

Handwritten signature of Paul L. Goetz, consisting of a stylized 'P' and 'G' followed by a long horizontal line.

Paul L. Goetz, Partner

PLG/dmc

**City of Newburgh, New York
Industrial Development Agency**

Summary of Significant Accounting Estimates
Year Ended December 31, 2013

Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Agency’s December 31, 2013, financial statements:

Estimate	Accounting Policy	Estimation Process
Allowance for Uncollectible Receivables	Allowance is based on a review of outstanding amounts on a frequent basis.	Management determines the allowance for uncollectible revenues by identifying troubled accounts and historical experience.

We have evaluated management’s significant accounting estimates noted above as part of our audit, and concluded that management’s estimates and the estimation process appear reasonable in the context of the financial statements taken as a whole.



City of Newburgh, New York Industrial Development Agency

Summary of Recorded Audit Adjustments Year Ended December 31, 2013

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expense
To adjust amount billed and amount paid on Metro PCS	\$ 54	\$ -	\$ -	\$ 54	\$ -
To recognize revenue from deferred revenue	-	(24,702)	-	24,702	-
To remove duplicate invoice entered into accounts payable	-	(53)	-	-	(53)
To accrue for 2013 invoices received late	-	230	-	-	230
To reverse prior year accruals	-	(25,818)	-	-	(25,818)
To reverse prior year balance in prepaid expenses	(750)	-	-	-	750
To accrue for City of Newburgh expenses for 2013	-	7,500	-	-	7,500
To adjust escrow liability because funds have been expended	-	(5,000)	-	-	(5,000)
To adjust carrying value of Scobie property	(197,000)	-	-	-	197,000
To record prepaid expenses	<u>1,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,360)</u>
Total Statement of Revenues, Expenses, and Changes in Net Position Effect			<u>(148,493)</u>	<u>\$ 24,756</u>	<u>\$ 173,249</u>
Total Statement of Net Position Effect	<u>\$ (196,336)</u>	<u>\$ (47,843)</u>	<u>\$ (148,493)</u>		

**City of Newburgh, New York
Industrial Development Agency**

Significant Written Communications
Between Management and our Firm
Year Ended December 31, 2013

Representation Letter
Management Letter





**CITY OF NEWBURGH
INDUSTRIAL DEVELOPMENT AGENCY**

83 Broadway, Newburgh, NY 12550 (T) 845-569-7369 (F) 845-569-9700 ida@cityofnewburgh-ny.gov

Joshua L. Smith, Chair

Theresa G. Waivada, Executive Director

March 24, 2014

SaxBST LLP
26 Computer Drive West
Albany, New York 12205

This representation letter is provided in connection with your audit of the financial statements of the City of Newburgh, New York Industrial Development Agency (Agency), which comprise the statement of net position as of December 31, 2013, 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, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of the date of your independent auditor's report, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated December 5, 2013, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We have no knowledge of any uncorrected misstatements in the financial statements.
9. We have identified for you all organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, that are component units.
10. We are a component unit of the City of Newburgh, New York as this term is defined in Section 2100 of GASB Codification of Governmental Accounting and Financial Reporting Standards.

Information Provided

11. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All transactions have been recorded in the accounting records and are reflected in the statements.
13. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of allegations of fraud or suspected fraud, affecting the Agency's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency's financial statements received in communications from employees, former employees, analysts, regulators, or others.
16. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

18. We have disclosed to you the identity of the Agency's related parties and all related-party relationships and transactions of which we are aware.
19. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Agency's ability to record, process, summarize, and report financial data.
20. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
21. We know of no violations of state or federal statutory or regulatory provisions, grants or other contractual provisions, or of provisions of local ordinances.
22. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statements.
23. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and OMB Circular No. A-133, because we have not received, expended, or otherwise been the beneficiary of any federal awards over \$500,000 during the period of this audit.

Government Auditing Standards

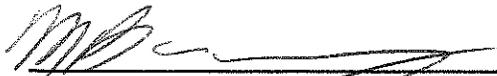
24. We are responsible for compliance with laws and regulations applicable to the Agency, including the requirement of adopting, approving, and amending budgets.
25. We have identified and disclosed to you:
 - a. All laws and regulations that have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
 - b. Violations and possible violations of laws, regulations, and provisions of contracts and other agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
26. We have taken timely and appropriate action to evaluate and address fraud, illegal acts, violations of provisions of contracts or other agreements, or abuse that has been reported.
27. We have implemented a process to track the status of audit findings and recommendations.
28. We have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.
29. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report, if any.
30. We have reviewed, approved, and take full responsibility for all adjustments, the financial statements, related notes, and required supplementary information and acknowledge the auditor's role in the preparation of this information.

Supplementary Information

31. With respect to the supplementary information presented in relation to the financial statements as a whole:
- a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
32. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

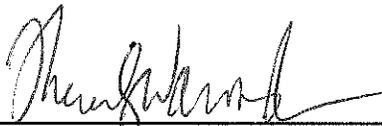
Very truly yours,

CITY OF NEWBURGH, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY



Michael Curry, Audit Committee Chair

24 MARCH 2014
Date



Theresa Waivada, Executive Director

March 24, 2014
Date



Craig Skelly, Chief Financial Officer

3/24/14
Date

March 24, 2014

Ms. Theresa G. Waivada, Executive Director
City of Newburgh, New York
Industrial Development Agency
83 Broadway
Newburgh, New York 12550

Dear Ms. Waivada:

This letter includes a comment and suggestion with respect to a matter that came to our attention in connection with our audit of the financial statements of the City of Newburgh, New York Industrial Development Agency (Agency) for the year ended December 31, 2013. This item is offered as a constructive suggestion to be considered part of the ongoing process of modifying and improving the Agency's practices and procedures.

Accounting Policies and Procedures

Monitoring of Sublease Payments

Observation: In connection with our 2012 audit, we noted that there are no formal procedures in place for tracking sublease payments.

Suggestion: During 2013, the Agency has made significant progress with respect to monitoring cellular sublease payments and investigating existing leasing arrangements. Given the significance of this revenue to the Agency, we recommend that the Agency continue in its efforts to monitor and track these arrangements.

This letter is solely for the information and use of the City of Newburgh, New York Industrial Development Agency, management, and others within the Agency and is not intended to be and should not be used by anyone other than the specified parties. We appreciate serving City of Newburgh, New York Industrial Development Agency and would be happy to assist you in addressing and implementing the comment and suggestion in this letter.

Very truly yours,

SAXBST LLP



Paul L. Goetz, Partner

PLG/dmc

cc: Mr. Michael Curry, Audit Committee Chair