



March 29, 2013

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, 2012. 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 and 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 continue to be of service to the Agency.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

Paul L. Goetz, Partner

PLG/dmc

**CITY OF NEWBURGH, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY**

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended December 31, 2012**

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 October 16, 2012, as amended by our arrangement letter supplement dated March 22, 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 standard the Agency adopted during the year to comply with accounting principles generally accepted in the United States of America (U.S. GAAP):

Effective January 1, 2012, the Agency adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

Adoption of this accounting standard did not significantly impact the Agency's financial 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.

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.

**CITY OF NEWBURGH, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY**

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended December 31, 2012**

Uncorrected Misstatements

There were no uncorrected misstatements noted during our audit of the financial statements.

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.

Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting

Significant deficiencies and material weaknesses, if any, are communicated in the Independent Auditor's 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*.

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.

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

BOLLAM, SHEEDY, TORANI & CO. LLP



Paul L. Goetz, Partner

PLG/dmc

**CITY OF NEWBURGH, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY**

**SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES
Year Ended December 31, 2012**

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 compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Agency's December 31, 2012, 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.
Real Property Held for Sale or Development	Real property held for sale or development is carried at the estimated market value of the property at the time of transfer to the Agency or historical value.	Management uses tax rolls and/or appraisals to determine the estimated value. Management also reviews property held for possible impairment based on current estimated market values.

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, 2012**

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expense
To reverse prior year accounts receivable balances	\$ (9,446)	\$ -	\$ -	\$ (9,446)	\$ -
To recognize revenue from deferred revenue	-	(24,702)	-	24,702	-
To reverse duplicate invoice	-	(2,030)	-	-	(2,030)
To adjust posting of December lease payment	1,543	-	-	1,543	-
To reverse prior year accruals	-	(20,109)	-	-	(20,109)
To record prepaid expenses	<u>750</u>	<u>-</u>	-	<u>-</u>	<u>(750)</u>
Total Statement of Revenues, Expenses, and Changes in Net Position Effect			<u>39,688</u>	<u>\$ 16,799</u>	<u>\$ (22,889)</u>
Total Statement of Net Position Effect	<u>\$ (7,153)</u>	<u>\$ (46,841)</u>	<u>\$ 39,688</u>		

**CITY OF NEWBURGH, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY**

**SIGNIFICANT WRITTEN COMMUNICATIONS BETWEEN
MANAGEMENT AND OUR FIRM
Year Ended December 31, 2012**

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 29, 2013

Bollam, Sheedy, Torani & Co. LLP
28 West 44th Street, 20th Floor
New York, NY 10036

This representation letter is provided in connection with your audits 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, which comprise the statements of net position as of December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in net position and cash flows, and the related notes to the financial statements for the years then ended. We confirm that we are responsible for the fair presentation of the financial statements of net position; revenues, expenses and changes in net position, and cash flows in conformity 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 audits:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated October 16, 2012, as amended by the audit arrangement letter supplement dated March 22, 2013, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

The Agency's accounting principles and the practices and methods followed in applying them, are as disclosed in the financial statements, and there have been no changes during the years ended December 31, 2012 and 2011, in the Agency's accounting principles and practices, except as noted herein.

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.
5. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62.

6. The following have been properly recorded and/or disclosed in the financial statements:
 - a. All significant estimates and/or material concentrations known to management. Significant estimates are estimates at the statement of net position date that could change materially in the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances the next year.
 - b. Deposit and/or investment disclosures required under Sections C20: *Cash Deposits with Financial Institutions* and I50: *Investments*, of GASB's Codification of Governmental Accounting and Financial Reporting Standards.
 - c. Concentration of credit risk.
 - d. The effect on the financial statements of GASB Statements which have been issued, but which we have not yet adopted.
 - e. Pollution remediation obligations as defined by section P40 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.
 - f. Related party transactions including those as defined in Section 2250 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, all of which have been recorded in accordance with the economic substance of the transactions.

Information Provided

7. 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 audits.
 - c. Unrestricted access to persons within the Agency from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Directors and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. All communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:
 - 1) Statutory, regulatory, or contractual provisions or requirements, and
 - 2) Financial reporting practices that could have a material effect on the financial statements.
8. 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 GASB's Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
9. All transactions have been recorded in the accounting records and are reflected in the financial statements.

10. 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.
11. 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.
12. 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, or others.
13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
14. We know of no violations of state or federal statutory or regulatory provisions, grants or other contractual provisions, or of provisions of local ordinances.
15. We disclosed to you all known actual or possible pending or threatened litigation and claims whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with GASB Statement No. 62.
16. We have disclosed to you the identity of the Agency's related parties and all the related-party relationships and transactions of which we are aware.
17. We are aware of no 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.
18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. 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.
20. We have no plans or intentions that may materially affect the carrying value or classification of assets.
21. We are responsible for making the accounting estimates included in the financial statements. Those estimates 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. In that regard, adequate provisions and disclosure have been made to reduce receivables to their estimated net collectible amounts.
22. There are no:
 - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the

- Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
- c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.
 - d. Guarantees, whether written or oral, under which the Agency is contingently liable. Agreements to repurchase assets previously sold.
 - e. Lines-of-credit or similar arrangements.
 - f. Debt issue provisions.
 - g. Security agreements in effect under the Uniform Commercial Code. Contractual obligations for plant construction or purchase of real property, equipment, other assets, or intangibles.
 - h. Liabilities which are subordinated in any way to actual or possible liabilities.
 - i. Material amounts of rental obligations under long-term leases.
 - j. Authorized but unissued bonds or notes.
 - k. Risk financing activities.
 - l. Derivative financial instruments.
 - m. Obsolete, damaged, or excess inventories to be reduced to their estimated net realizable values.
 - n. Risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2012 and 2011, or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2012 and 2011.
 - o. Material losses to be sustained in the fulfillment of or from the inability to fulfill any service commitment.
 - p. Material losses to be sustained as a result of purchase commitments.
 - q. Deferred compensation agreements.
 - r. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - s. Investments in debt or equity security.
 - t. Debt issues repurchase options or agreements, or sinking fund debts repurchase ordinance requirements.
 - u. Liens or encumbrances on assets or revenues or any assets or revenues which are pledged as collateral for any liability or which are subordinated in any way.
 - v. Restrictions of net position.
 - w. Long-term leases.
23. The Agency has satisfactory title to all owned assets.

24. 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 periods of these audits.
25. In considering the disclosures that should be made about risks and uncertainties, we have concluded that the following are required:
 - The Agency is potentially responsible under federal law for payment of a portion of the clean-up costs of a parcel of land encroached by the Newburgh Landfill Superfund Site.
 - Concentration of credit risk.
26. With respect to the required supplementary information presented in the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
27. With respect to the other supplementary information presented in 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.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
28. We are responsible for determining that significant events or transactions that have occurred since the statement of net position date and through March 29, 2013, have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the statement of net position date and through March 229, 2013, that would require recognition or disclosure in the financial statements. We further represent that as of March 29, 2013, the financial statements were complete in a form and format that complied with U.S. GAAP, and all approvals necessary for issuance of the financial statements had been obtained.
29. Effective January 1, 2012, we adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.
30. During the course of your audits, 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.

Government Auditing Standards

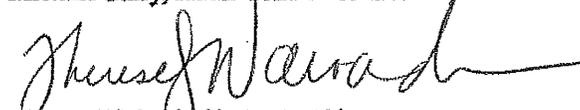
31. We are responsible for compliance with laws and regulations applicable to the Agency, including the requirement of adopting, approving, and amending budgets.
32. We have identified and disclosed to you:
 - a. All laws and regulations that have a direct and material effect on the determination of financial statement amounts or other financial data significant to audit objectives.
 - 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.
33. 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.
34. We have implemented a process to track the status of audit findings and recommendations.
35. 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 correction action taken to address significant findings and recommendations.
36. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned correction actions for the report, if any.
37. We have reviewed, approved, and take full responsibility for the financial statements, related notes, required supplementary information and acknowledge the auditor's role in the preparation of this information.
38. We have reviewed, approved, and take full responsibility for all adjustments and draft financial statements and acknowledge the auditor's role in the preparation of the adjustments and drafting the financial statements.

Very truly yours,

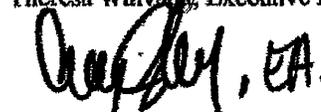
CITY OF NEWBURGH, NEW YORK INDUSTRIAL
DEVELOPMENT AGENCY



Michael Curry, Audit Committee Chair



Theresa Waivada, Executive Director



Craig Skelly, Chief Financial Officer



March 29, 2013

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, 2012. 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 Lease Payments

Observation: Our audit procedures disclosed that there are no formal procedures in place for tracking lease payments.

Suggestion: We recommend that the Agency develop a schedule of all existing leases and implement procedures to monitor actual payments compared to this schedule. This procedure should provide added control over the Agency's accounts receivable and identify unpaid items on a timelier basis. Substantial financial benefits may exist if this simple yet consistent practice is followed.

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,

BOLLAM, SHEEDY, TORANI & CO. LLP

Paul L. Goetz, Partner

PLG/dmc

cc: Mr. Michael Curry, Audit Committee Chair