

FINANCIAL REPORT
AUDITED
CITY OF POUGHKEEPSIE INDUSTRIAL DEVELOPMENT AGENCY
POUGHKEEPSIE, NEW YORK
December 31, 2017

Audited for:

Chairman and Members of the Board of Directors
City of Poughkeepsie Industrial Development Agency

Audited By:
RBT CPAs, LLP
2678 South Road
Poughkeepsie, NY 12601
(845) 485-5510

CITY OF POUGHKEEPSIE INDUSTRIAL DEVELOPMENT AGENCY

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LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the Board of Directors
City of Poughkeepsie Industrial Development Agency
Municipal Building
62 Civic Center Plaza
Poughkeepsie, New York 12601

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the City of Poughkeepsie, New York Industrial Development Agency (the "Agency"), a component unit of the City of Poughkeepsie, New York, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

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 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 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 Agency'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 Agency'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 business-type activities of the City of Poughkeepsie, New York Industrial Development Agency as of December 31, 2017, and the changes in its financial position and its cash flows for the year 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 the management's discussion and analysis, on pages 3-4, 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Schedule of Indebtedness and Schedule of Supplementary Information on pages 10 and 11 are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018, on our consideration of the City of Poughkeepsie, New York Industrial Development 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 City of Poughkeepsie, New York Industrial Development Agency's internal control over financial reporting and compliance.

RBT CPAs, LLP

Poughkeepsie, New York
March 27, 2018

**CITY OF POUGHKEEPSIE INDUSTRIAL DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2017**

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, New York Industrial Development Agency (“Agency”) for the year ended December 31, 2017, as mandated by GASB 34. This information should be reviewed in conjunction with the Agency’s audited financial statements.

The Agency was established to encourage economic growth within the City of Poughkeepsie, New York.

AGENCY OVERVIEW OF OPERATIONS

Following updates to the Uniform Tax Policy, which the Board accomplished in 2016, in 2017 the Agency was better suited to provide more targeted and comprehensive benefits to development projects for a city the size of Poughkeepsie. Two major applications came before the IDA Board in 2017. One, which has achieved approval and provided a financial benefit to the Agency, is a 300 unit residential project along the northern waterfront. The other, that has been preliminarily reviewed, will add 12 residential units, a percentage of which will be affordable, and commercial space that will be subdivided into artist workspaces. Both projects will further the advancement of development within the City while also stimulating our local arts and heritage culture. As we enter 2018, the newly appointed IDA Board has many promising applications and projects awaiting review, and so the potential for increased revenue generation. Looking forward, the Board is considering and is in the process of making a number of changes to the Agency’s operation & structure including but not limited to; rewriting the mission statement, amending the Uniform Tax Exemption Policy, and conducting a search for a qualified executive director, all toward the successful and equitable development of the City of Poughkeepsie.

FINANCIAL OPERATIONS HIGHLIGHTS

Total revenues and expenses are driven by the projects that come before the IDA for assistance, therefore there can be a significant variance from year to year.

Revenues increased significantly due to new application fees.

Expense increased in 2017 for public notices required to be filed with the Poughkeepsie Journal and professional fees.

A summary of operations is as follows:

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

<u>REVENUES</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>
Operating Revenues	\$ 191,877	\$ 17,997	\$ 173,880
Interest Income	72	32	40
Total Revenues	191,949	18,029	173,920
<u>EXPENSES</u>			
Contracted Services	72,042	28,713	43,329
Total Expenses	72,042	28,713	43,329
Change in Net Position	\$ 119,907	\$ (10,684)	\$ 130,591

**CITY OF POUGHKEEPSIE INDUSTRIAL DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2017**

FINANCIAL POSITION SUMMARY

Net Position may serve as an indicator of the Agency’s financial position. The Agency’s Net Position was \$(265,380) and \$(385,287) at December 31, 2017 and 2016, respectively primarily due to a balance due to the City of Poughkeepsie Special Revenue fund for a program for which New York State is no longer accepting reimbursement requests. The Agency anticipates receiving future revenues to enable it to repay the liability.

For details of the Agency’s finances, see the accompanying financial statements and notes thereof.

SUMMARY OF NET POSITION

<u>ASSETS</u>	2017	2016	Change
Current Assets	\$ 223,345	\$ 89,567	\$ 133,778
Total Assets	<u>\$ 223,345</u>	<u>\$ 89,567</u>	<u>\$ 133,778</u>
<u>LIABILITIES</u>			
Current Liabilities	\$ 488,725	\$ 474,854	\$ 13,871
Total Liabilities	<u>488,725</u>	<u>474,854</u>	<u>13,871</u>
<u>NET POSITION</u>			
Unrestricted	(265,380)	(385,287)	119,907
Total Net Position	<u>(265,380)</u>	<u>(385,287)</u>	<u>119,907</u>
<u>TOTAL LIABILITIES AND NET POSITION</u>	<u>\$ 223,345</u>	<u>\$ 89,567</u>	<u>\$ 133,778</u>

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). The Agency is structured as a proprietary fund. It is a component unit of the City of Poughkeepsie, New York because the City of Poughkeepsie Common Council appoints all of the Agency’s Board Members. See the accompanying Notes to the Financial Statements.

**CITY OF POUGHKEEPSIE INDUSTRIAL DEVELOPMENT AGENCY
POUGHKEEPSIE, NEW YORK
STATEMENT OF NET POSITION
As of December 31**

2017

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 222,348
Accounts Receivable	997

TOTAL ASSETS \$ 223,345

LIABILITIES AND NET POSITION

Current Liabilities:

Accounts Payable	\$ 43,474
Due to the City of Poughkeepsie Special Revenue Fund	445,251

Total Current Liabilities 488,725

Net Position:

Unrestricted	(265,380)
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Total Net Position (265,380)

TOTAL LIABILITIES AND NET POSITION \$ 223,345

See Notes to the Financial Statements

CITY OF POUGHKEEPSIE INDUSTRIAL DEVELOPMENT AGENCY
POUGHKEEPSIE, NEW YORK
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
For the year ended December 31 **2017**

Operating Revenues:

Other Charges for Services	\$	191,877
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Total Operating Revenues		191,877
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Operating Expenses:

Contracted Services		72,042
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Total Operating Expenses		72,042
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Operating Income		119,835
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Non-Operating Revenues:

Interest Income		72
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Net Non-Operating Revenues		72
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Change in Net Position		119,907
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Net Position, Beginning		(385,287)
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Net Position, Ending	\$	(265,380)
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See Notes to the Financial Statements

**CITY OF POUGHKEEPSIE INDUSTRIAL DEVELOPMENT AGENCY
POUGHKEEPSIE, NEW YORK
STATEMENT OF CASH FLOWS**

For the year ended December 31 2017

Cash Flows from Operating Activities:	
Receipts from providing services	\$ 206,877
Payments for professional services	(38,336)
Net cash provided by operating activities	168,541
Cash Flows from Investing Activities:	
Interest income	72
Net cash provided by investing activities	72
Cash Flows from Financing Activities:	
Payments to City of Poughkeepsie General Fund	(5,000)
Payments to the City of Poughkeepsie Trust and Agency Fund	(14,835)
Net cash used by financing activities	(19,835)
Net Increase in Cash and Cash Equivalents	148,778
Cash and Cash Equivalents, Beginning	73,570
Cash and Cash Equivalents, Ending	\$ 222,348
Reconciliation of operating income to net cash provided by operating activities	
Operating Income	\$ 119,835
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Receivable	15,000
Accounts Payable	33,706
Net Cash Provided by Operating Activities	\$ 168,541

See Notes to the Financial Statements

**CITY OF POUGHKEEPSIE INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Organization and Summary of Significant Accounting Policies

Organization and Purpose

The City of Poughkeepsie, New York 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” as amended. 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, as amended.

Basis of Accounting

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 financial resources.

Cash and Cash Equivalents

For the purpose of presenting the Statements 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 or cash equivalents.

Agency monies are deposited in FDIC insured commercial banks or trust companies located within the State of New York. The Agency is authorized to use demand deposit, time and money market savings accounts, and certificates of deposit. Governmental Accounting Standards Board Statement No. 40 *Deposits and Investment Risk Disclosure*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, or collateralized by securities held by the Agency or its agent in the Agency’s name. The Agency’s cash balances were fully insured by the FDIC.

**CITY OF POUGHKEEPSIE INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017**

1. Organization and Summary of Significant Accounting Policies (continued)

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 basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the 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. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Agency evaluated subsequent events for disclosure and/or recognition in the financial statements from December 31, 2017, and through March 27, 2018, the date on which the financial statements were available for issuance.

2. Industrial Revenue Bonds

Bonds authorized by the Agency and issued through various lending institutions are designated as special obligations of the Agency and payable solely from the revenues and other assets pledged as collateral against the bonds. While in most instances, the Agency 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 Agency does not act as a guarantor in the event of default. Accordingly, recourse on the part of the lending institution against the Agency is limited to collateralized properties and revenues as specified in the body of the applicable financing agreement. Additionally, in each of these financings, the Agency 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 Agency does not reflect such bonds or related properties on its financial statements. Industrial revenue bonds authorized by the Agency and outstanding at December 31, 2017, total \$3,190,000. See Other Supplementary Information on page 10 of this report for additional information on the Industrial Revenue Bonds.

3. New Reporting Standards

GASB has issued Statements 68-87, none of which are expected to have any substantive effects on the Agency's net position.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF POUGHKEEPSIE INDUSTRIAL DEVELOPMENT AGENCY
POUGHKEEPSIE, NEW YORK
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2017**

PROJECT NAME	PROJECT PURPOSE	ORIGINAL ISSUE AMOUNT	ORIGINAL ISSUE DATE	INTEREST RATE	OUTSTANDING BALANCE 12/31/2017
Eastman & Bixby Redevelopment Company, LLC	Developers	\$ 8,500,000	August-00	Variable	\$ 3,190,000
TOTAL BONDS OUTSTANDING AT DECEMBER 31, 2017					\$ 3,190,000

**CITY OF POUGHKEEPSIE INDUSTRIAL DEVELOPMENT AGENCY
POUGHKEEPSIE, NEW YORK
SCHEDULE OF SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Eastman Bixby LLC</u>	<u>NIC 6 Manor at Woodside Owner, LLC *</u>	<u>Poughkeepsie Landing. LLC</u>	<u>400 Main LLC</u>	<u>One Dutchess Apartments **</u>	<u>JM Development Group, LLC *</u>
Exemption						
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ 1,320,000	\$ -
Real Prop Tax	459,493	595,252	501,265	355,063		88,139
Mortgage Recording	-	-	-	-	626,116	-
Total	<u>\$ 459,493</u>	<u>\$ 595,252</u>	<u>\$ 501,265</u>	<u>\$ 355,063</u>	<u>\$ 1,946,116</u>	<u>\$ 88,139</u>
PILOT						
County	\$ 12,080	\$ 9,936	\$ 18,094	\$ 3,025	\$ -	\$ 100
City	63,269	52,039	94,764	15,842	-	522
School	65,631	53,981	98,302	16,434	-	542
Total	<u>\$ 140,980</u>	<u>\$ 115,956</u>	<u>\$ 211,160</u>	<u>\$ 35,301</u>	<u>\$ -</u>	<u>\$ 1,164</u>

Full Time Equivalent Jobs Created and Retained

# Current FTE employees	8	53	125	15	0	0
# FTE jobs created during fiscal year	0	0	0	2	0	0
# Current FTE employees retained	8	23	125	13	0	0
# FTE construction jobs created during the fiscal year	0	0	0	0	100	0

* No confirmation on FTE's created and retained for this project has been received as of the reporting date

** No confirmation requested for FTE's for this project. Information derived from application

OTHER REPORTING REQUIRED
by GOVERNMENT AUDITING STANDARDS



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**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**

Chairman and Members of the Board of Directors
City of Poughkeepsie Industrial Development Agency
Municipal Building
62 Civic Center Plaza
Poughkeepsie, New York 12601

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 financial statements of the business-type activities of the City of Poughkeepsie Industrial Development Agency (the "Agency") as of and for the year ended December 31, 2017, and the related Notes to the Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Poughkeepsie Industrial Development 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 City of Poughkeepsie Industrial Development 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency'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. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings, Recommendations, and Responses as Finding 17-1, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Poughkeepsie Industrial Development Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 City of Poughkeepsie Industrial Development 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 City of Poughkeepsie Industrial Development Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RBT CPAs, LLP

Poughkeepsie, New York
March 27, 2018

**CITY OF POUGHKEEPSIE INDUSTRIAL DEVELOPMENT AGENCY
POUGHKEEPSIE, NEW YORK
SCHEDULE OF FINDINGS,
RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

SIGNIFICANT DEFICIENCY:

PRIOR YEAR FINDING:

Finding 17-1:

Condition:

During 2004, a state funded project was jointly handled by City of Poughkeepsie Special Revenue Fund and the Agency. Expenses were funded in advance, anticipating receipt of additional state aid. The Agency currently does not anticipate receiving any additional state aid. The Agency has a responsibility to repay its inter-municipal loans

Criteria:

The Agency should not incur costs for which it cannot pay.

Cause:

The Agency anticipated revenue that it never received.

Effect:

A deficit was created by incurring expenditures without sufficient revenues.

Recommendation:

The Agency should establish a plan for clearing this obligation or determine a repayment plan.

Response:

See Attached.



The City of Poughkeepsie Industrial Development Agency

Bradley Tyler Jones
Chairman

William Brady
Chief Financial Officer

March 27, 2018

William Cochran
RBT, CPA's, LLP
2678 South Road
Poughkeepsie, NY 12601

Re: City of Poughkeepsie IDA Response to Audit Finding

The Agency responds as follows:

The Agency anticipates receiving future revenues that would enable it to establish a payment schedule for it to repay the loan.

Respectfully,

William J. Brady
Commissioner of Finance