

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

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2007**

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
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DECEMBER 31, 2007**

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INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Poughkeepsie, New York
City of Poughkeepsie Industrial Development Agency
Municipal Building
62 Civic Center Plaza
Poughkeepsie, New York 12601

We have audited the accompanying general purpose financial statements of the City of Poughkeepsie Industrial Development Agency (the Agency), as of December 31, 2007, and for the year then ended as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Poughkeepsie Industrial Development Agency, as of December 31, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in "Note 1- Organization and Summary of Significant Accounting Policies", the City of Poughkeepsie Industrial Development Agency implemented a new reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments", as of December 31, 2004.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008 on our consideration of the City of Poughkeepsie Industrial Development Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sedore & Company, CPAs

Poughkeepsie, New York
October 24, 2008

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2007**

The following "Management's Discussion and Analysis" report (MD&A) provides the reader with an introduction and overview to the financial activities and performance of the City of Poughkeepsie Industrial Development Agency for the year ended December 31, 2007, as mandated by GASB #34. This information should be reviewed in conjunction with the audited financial statements of the Agency.

FINANCIAL OPERATIONS HIGHLIGHTS

There was a decrease in Net Assets in 2007, from \$(278,741) to \$(300,562).

Total Revenues increased in 2007. This was due to an increase in charges for services. Total Expenses, however, decreased in 2007 due to a reduction in Contract expenditures.

SUMMARY OF OPERATIONS

<u>REVENUES:</u>	<u>2007</u>
Interest Earnings	\$1,166
Charges for Services	<u>5,000</u>
Total Revenues	<u>\$6,166</u>
<u>EXPENSES:</u>	
Professional Fees	\$4,000
Contract Services	22,781
Other Expenses	<u>1,206</u>
Total Expenses	<u>\$27,987</u>

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED - CONT'D.)
DECEMBER 31, 2007**

FINANCIAL POSITION SUMMARY

Net Assets serve as an indicator of the Agency's financial position. At December 31, 2006 and 2007, Net Assets were a negative \$(278,741) and \$(300,562) respectively, because project costs exceeded the State Aid.

For details of the Agency's finances, see the accompanying financial statements and Notes thereof.

FINANCIAL STATEMENTS

The Agency's financial statements are prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB).

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

ASSETS

Cash and Cash Equivalents	<u>\$556,736</u>
Total Assets	<u>\$556,736</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Accounts Payable and Liabilities	\$7,298
Due to Community Development	<u>850,000</u>
Total Liabilities	<u>857,298</u>
Undesignated Net Assets (Deficit)	<u>(300,562)</u>
Total Net Assets (Deficit)	<u>(300,562)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$556,736</u>

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

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2007**

REVENUES:

Charges for Services	\$5,000
Investment Earnings	<u>1,166</u>
Total Revenues	<u>6,166</u>

EXPENSES:

Contract Services	22,781
Professional	4,000
Other Expenses	<u>1,206</u>
Total Expenses	<u>(27,987)</u>

Excess of (Expenses Over Revenues) (21,821)

Net Assets (Deficit), January 1, 2007 (278,741)

Net Assets (Deficit), December 31, 2007 \$ (300,562)

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

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Cash Flows From Operating Activities:

Excess of (Expenses Over Revenues)	<u>\$(21,821)</u>
Increase in Accounts Payable and Accrued Liabilities	<u>2,548</u>
Net Change in Assets/Liabilities	<u>2,548</u>
Net Cash (Used) by Operating Activities	<u>(19,273)</u>
Net (Decrease) in Cash and Cash Equivalents	(19,273)
Cash and Cash Equivalents, January 1, 2007	<u>576,009</u>
Cash and Cash Equivalents, December 31, 2007	<u>\$ 556,736</u>

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

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

1. Organization and Summary of Significant Accounting Policies

Organization and Purpose:

The City of Poughkeepsie Industrial Development Agency (the Agency) is a public benefit corporation established under Section 856 of the New York State Industrial Development Agency Act of the State of New York and Chapter 73 of the Laws of 1970 of the State. The Agency was established to encourage economic growth within the City of Poughkeepsie, New York.

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, some of which are as follows:

The Reporting Entity

The Agency is considered a component unit of the financial reporting entity known as the City of Poughkeepsie, New York. Inclusion in the financial reporting entity, the City of Poughkeepsie, is determined based on financial accountability as defined by GASB Statement No. 14, "The Financial Reporting Entity". The City of Poughkeepsie Common Council appoints all of the Agency's Board Members. This level of control meets the criteria for financial accountability as defined by GASB statement No. 14.

Proprietary Fund Accounting

Basis of Accounting and Measurement Focus

The Agency helps to facilitate economic development in the City of Poughkeepsie, primarily by issuing tax-exempt debt. Its operations are financed primarily by the City of Poughkeepsie by providing use of City staff and facilities. Under standards set by the GASB, the Agency is considered an enterprise fund, a type of proprietary fund. Proprietary fund financial statements are prepared on the accrual basis of accounting, which records the financial effects on an enterprise of transactions and other events when these transactions and events occur. The measurement focus is the flow of economic resources. This basis differs from that used by governmental funds in that the effects of transactions in government funds are recorded when revenues are measurable and available and when expenditures are incurred. The measurement focus is the flow of current transactions.

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2007**

1. Organization and Summary of Significant Accounting Policies (Cont'd.)

The Agency's policy is to apply, first, (a) all GASB pronouncements, and then (b) Financial Accounting Standards Board Statements and Interpretations, APB Opinions, and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

In June 1999, the GASB approved Statement No. #34 Basic Financial Statements - and Management's Discussion and Analysis- for State and Local Governments. Certain of the significant policies in the Statement, which affect the financial statements of the IDA include the following:

The financial statements include a Management Discussion and Analysis (MD&A) section providing an analysis of the IDA's overall financial position and results of operations. The IDA's basis of accounting has not changed, but financial statement titles have changed to focus on "Net Assets."

Income Taxes

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

Cash, Cash Equivalents and Investments

State statutes govern the Agency's investment policies. Agency monies must be deposited in Federal Deposit Insurance Corporation insured commercial banks or trust companies located within the State of New York. The Agency is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State and its localities.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. The Agency's cash was covered in full by a combination of FDIC insurance and collateral pledged by a third party custodian.

For purposes of the Statement of Cash Flows, the Agency considers all demand deposits, time and savings accounts, and certificates of deposit with an original maturity of three months or less to be cash equivalents.

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2007**

1. Organization and Summary of Significant Accounting Policies (Cont'd.)

Risk Management

Risk management activities are limited to being listed as an additional insured on properties covered by payment in lieu of tax (PILOT) agreements. The Agency's management believes it has limited exposure for loss as its sole asset is cash and it has no employees. Tax assessment disputes are litigated by the taxing authorities with no financial effect on the Agency.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Industrial Revenue Bonds

Bonds authorized by the IDA and issued through various lending institutions are designated as special obligations of the IDA and payable solely from the revenues and other assets pledged as collateral against the bonds. While in most instances the IDA is the holder of legal title to properties acquired with industrial revenue bond financing until such point in time as the construction of property improvements has been completed or satisfaction of the obligation has been effected in full, the IDA does not act as a guarantor in the event of default. Accordingly, recourse on the part of the lending institution against the IDA is limited to collateralization properties and revenues as specified in the body of the applicable financing agreement. Additionally, in each of these financings, the IDA has assigned all rights to receive certain revenues derived with respect to the facilities it has financed to the holders of the industrial revenue bonds. As a consequence, the IDA does not reflect such bonds or related properties on its financial statements. Industrial revenue bonds authorized by the IDA and outstanding at December 31, 2007, total \$20,194,278.

OTHER SUPPLEMENTAL INFORMATION

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>PROJECT NAME</u>	<u>PROJECT PURPOSE</u>	<u>ORIGINAL ISSUE AMOUNT</u>	<u>ORIGINAL ISSUE DATE</u>	<u>INTEREST RATE</u>	<u>OUTSTANDING BALANCE 12/31/2007</u>
Eastman & Bixby Redevelopment Company, LLC	Developers	\$8,500,000	8/2000	Variable	\$4,189,278
Woodside Assoc., LLP	Assisted Living Home	\$17,250,000	12/1999	Variable	<u>16,005,000</u>
TOTAL BONDS OUTSTANDING AT DECEMBER 31, 2007					<u>\$20,194,278</u>

**CITY OF POUGHKEEPSIE, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007**

PROJECTS

	<u>Eastman Bixby, LLC</u>	<u>Woodside Associates, LLP</u>
Real Property Tax Exemptions:		
Sales Tax	\$ -	\$ -
Real Property Tax	303,008	401,040
Mortgage Recording	<u>-</u>	<u>-</u>
TOTALS	<u>\$303,008</u>	<u>\$401,040</u>

Payments in Lieu of Taxes (PILOTS):

County	\$17,106	\$5,558
Local	53,045	17,233
School	<u>73,202</u>	<u>23,780</u>
TOTALS	<u>\$143,353</u>	<u>\$46,571</u>

FULL-TIME EQUIVALENT JOBS CREATED AND RETAINED (UNAUDITED)

# Current FTE employees	7	59
# FTE jobs created during fiscal year	0	0
# Current FTE employees retained during the fiscal year	7	59
# FTE construction jobs created during fiscal year	0	0



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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To the Common Council
City of Poughkeepsie, New York
City of Poughkeepsie Industrial Development Agency
Municipal Building
62 Civic Center Plaza
Poughkeepsie, New York 12601

We have audited the general purpose financial statements of the City of Poughkeepsie Industrial Development Agency (the Agency), as of and for the year ended December 31, 2007, and have issued our report thereon dated October 24, 2008. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Poughkeepsie Industrial Development Agency general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Poughkeepsie Industrial Development Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all

matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be a material weakness. We noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions or material weaknesses.

This report is intended solely for the information and use of the Mayor, Common Council, Management, and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Sodau & Company, CPA's

Poughkeepsie, New York
October 24, 2008