



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

(A Component Unit of the City of Newburgh, New York)

Financial Report

December 31, 2021 and 2020

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

Financial Report

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the City of Newburgh, Industrial Development Agency (Agency), a component unit of the City of Newburgh, New York, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1j, the 2021 and 2020 financial statements have been reissued to correct operating expense classification errors. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2022, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

BST & Co. CPAs, LLP

Albany, New York
March 8, 2022, except for Note 1j as to
which the date is September 29, 2022



City of Newburgh, New York Industrial Development Agency

(A Component Unit of the City of Newburgh, New York)

Management's Discussion and Analysis December 31, 2021 and 2020

The following Management's Discussion and Analysis (MD&A) provides an introduction and overview of the financial activities and performance of the City of Newburgh, New York Industrial Development Agency (Agency) for the years ended December 31, 2021 and 2020. The MD&A is designed to assist the reader in focusing on significant matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the Agency's financial condition, the following financial statements, notes, and supplementary information should be reviewed in their entirety.

Overview of Financial Statements

The Agency's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). The Agency is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. See notes to the financial statements for a summary of the Agency's significant accounting policies.

The *Statement of Net Position* presents information on the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Agency's financial position.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Agency's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flow of cash. Consequently, only transactions that affect the Agency's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the statement of cash flows to assist in the understanding of the difference between cash flows from operating activities and operating income (loss).

In addition to the basic financial statements and accompanying notes, this report also presents the *Supplementary Schedule of Indebtedness*.

Financial Highlights

- The Agency generated income from operations of \$126,746 and \$38,712 for the periods ended December 31, 2021 and 2020, respectively.

City of Newburgh, New York Industrial Development Agency

(A Component Unit of the City of Newburgh, New York)

Management's Discussion and Analysis December 31, 2021 and 2020

Financial Analysis of the Agency

The table below presents condensed financial information derived from the Agency's financial statements as of December 31, 2021, 2020, and 2019:

Condensed Statements of Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease) 2021-2020</u>	<u>Increase (Decrease) 2020-2019</u>
ASSETS					
Current assets	<u>\$ 1,148,668</u>	<u>\$ 1,043,544</u>	<u>\$ 1,021,266</u>	<u>\$ 105,124</u>	<u>\$ 22,278</u>
LIABILITIES AND NET POSITION					
Current liabilities	\$ 18,988	\$ 28,491	\$ 34,412	\$ (9,503)	\$ (5,921)
Noncurrent liabilities	268,588	281,459	294,332	(12,871)	(12,873)
Total liabilities	<u>287,576</u>	<u>309,950</u>	<u>328,744</u>	<u>(22,374)</u>	<u>(18,794)</u>
NET POSITION, unrestricted	<u>861,092</u>	<u>733,594</u>	<u>692,522</u>	<u>127,498</u>	<u>41,072</u>
Total liabilities and net position	<u>\$ 1,148,668</u>	<u>\$ 1,043,544</u>	<u>\$ 1,021,266</u>	<u>\$ 105,124</u>	<u>\$ 22,278</u>

The December 31, 2021 financial position of the Agency increased by \$127,498 compared to prior year. Total cash increased \$103,223 in 2021 due to operations and the receipt of lease closing fees from The Foundry Phase 3, LP in the amount of \$66,500, while total liabilities decreased due to the recognition of prepaid lease revenue over the life of the agreement. The December 31, 2020 financial position increased by \$41,072 compared to 2019.

The table below presents condensed financial information derived from the financial statements of the Agency for the years ended December 31, 2021, 2020, and 2019:

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease) 2021-2020</u>	<u>Increase (Decrease) 2020-2019</u>
Operating revenues	<u>\$ 238,756</u>	<u>\$ 152,936</u>	<u>\$ 157,240</u>	<u>\$ 85,820</u>	<u>\$ (4,304)</u>
Operating expenses					
Administrative fees	10,279	2,578	41,877	7,701	(39,299)
Professional services	49,899	72,121	14,824	(22,222)	57,297
Other operating expenses	51,832	39,525	72,017	12,307	(32,492)
Total expenses	<u>112,010</u>	<u>114,224</u>	<u>128,718</u>	<u>(2,214)</u>	<u>(14,494)</u>
Operating income	<u>126,746</u>	<u>38,712</u>	<u>28,522</u>	<u>88,034</u>	<u>10,190</u>
Nonoperating revenues	<u>752</u>	<u>2,360</u>	<u>6,596</u>	<u>(1,608)</u>	<u>(4,236)</u>
Change in net position	<u>\$ 127,498</u>	<u>\$ 41,072</u>	<u>\$ 35,118</u>	<u>\$ 86,426</u>	<u>\$ 5,954</u>

City of Newburgh, New York Industrial Development Agency

(A Component Unit of the City of Newburgh, New York)

Management's Discussion and Analysis December 31, 2021 and 2020

Activities for the Year Ended December 31, 2021

Lease income recognized remained relatively consistent with the prior year. Total revenues increased in 2021 due to a one-time closing fee received in the amount of \$66,500. Overall, operating expenses remained relatively consistent year over year. During 2021, the Authority incurred additional expenses from contracted staff, \$9,530, and a PPE grant in the amount of \$8,814. These expenses were offset by declines in professional service fees.

Project costs are largely composed of engineering, appraisal, and other development activities.

Activities for the Year Ended December 31, 2020

Operating revenues remained relatively consistent in 2020 as compared to 2019. Administrative fees decreased approximately \$9,000 as compared to 2019, primarily due to less time incurred by contracted professionals. The Agency incurred legal fees for certain matters related to its properties and the ongoing suit against Wells Fargo over the GEMMA funds.

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the funds it receives. If you have any questions about this report or need additional financial information, please contact:

Cherisse Vickers
Executive Director
Newburgh City Hall
83 Broadway
Newburgh, New York 12550

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

Statements of Net Position

	December 31,	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,144,300	\$ 1,041,077
Prepaid expenses	4,368	2,467
	\$ 1,148,668	\$ 1,043,544
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,716	\$ 13,219
Security deposits	2,400	2,400
Unearned revenue, current	12,872	12,872
Total current liabilities	18,988	28,491
NONCURRENT LIABILITIES		
Unearned revenue	268,588	281,459
Total liabilities	287,576	309,950
NET POSITION, unrestricted	861,092	733,594
	\$ 1,148,668	\$ 1,043,544

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

	Years Ended December 31,	
	2021	2020
	(Restated)	(Restated)
OPERATING REVENUES		
Lease and other income	\$ 168,118	\$ 151,936
Project fee income	70,638	1,000
	238,756	152,936
OPERATING EXPENSES		
Administrative fees	10,279	2,578
Insurance	2,297	2,366
Office expense	3,539	3,010
Professional services	49,899	72,121
Project expenses	845	-
Contracted personnel services	45,151	34,149
	112,010	114,224
Operating income	126,746	38,712
OTHER INCOME		
Interest income	752	2,360
	752	2,360
Change in net position	127,498	41,072
NET POSITION, <i>beginning of year</i>	733,594	692,522
NET POSITION, <i>end of year</i>	\$ 861,092	\$ 733,594

See accompanying Notes to Financial Statements.

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

Statements of Cash Flows

	Years Ended December 31,	
	2021	2020
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Receipts from customers	\$ 155,247	\$ 140,063
Payments to vendors	(52,776)	(120,064)
	102,471	19,999
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Interest income received	752	2,360
Net increase in cash and cash equivalents	103,223	22,359
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	1,041,077	1,018,718
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 1,144,300	\$ 1,041,077
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 126,746	\$ 38,712
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in operating assets and liabilities		
Accounts payable and accrued expenses	(9,503)	(5,921)
Prepaid expenses	(1,901)	81
Unearned revenue	(12,871)	(12,873)
	\$ 102,471	\$ 19,999

See accompanying Notes to Financial Statements.

City of Newburgh, New York Industrial Development Agency

(A Component Unit of the City of Newburgh, New York)

Notes to Financial Statements December 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

The City of Newburgh, New York Industrial Development Agency (Agency) was established on July 22, 1982, for the purpose of encouraging economic growth in the City of Newburgh, New York (City). The Agency assists with financing arrangements and has the authority to grant mortgage and sales tax exemptions. The Agency is considered a component unit of the City of Newburgh, New York.

b. Basis of Accounting and Financial Statement Presentation

The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Agency is determined by its measurement focus. The transactions of the Agency are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operations are included on the statements of net position. Net position is presented in the following categories:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and related debt. There was no net investment in capital assets net position at December 31, 2021 and 2020.
- *Restricted net position* consists of assets with externally placed constraints net of liabilities that will be liquidated from those assets. There was no restricted net position at December 31, 2021 and 2020.
- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of net investment in capital assets or restricted net position.

Revenues are recognized when earned, and expenses are recognized when incurred. The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues are determined based on the services provided by the Agency. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Estimates

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

City of Newburgh, New York Industrial Development Agency

(A Component Unit of the City of Newburgh, New York)

Notes to Financial Statements December 31, 2021 and 2020

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

d. Tax Status

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

e. Cash and Cash Equivalents

The Agency's investment policies are governed by New York State statutes. In addition, the Agency has its own written investment policy. Agency funds must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within New York State. The Agency is authorized to use demand accounts, money market accounts, and certificates of deposit. Management considers its money market accounts, which are readily convertible to cash, to be cash equivalents. Permissible investments include obligations of the U.S. Treasury and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Deposits are categorized as either: (1) insured by FDIC insurance; (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the Agency's name; or (3) uncollateralized.

Cash and cash equivalent balances at both December 31, 2021 and 2020 were fully insured or collateralized.

f. Real Property Held for Sale or Development

The Agency values real property held for sale or redevelopment at the lower of cost or net realizable value. When real property is transferred from the City, cost represents the City's carrying value at the time of transfer. The Agency owns or has rights to several real estate parcels which are carried at no value.

g. Revenue Recognition

Revenue is generated from project application and administrative fees, as well as long-term leases. Project application fees are recognized when services are provided, administrative fees are recognized upon issuance of bonds and notes, and long-term leases are recognized based upon the underlying lease terms as further described in Note 2. Unearned revenue represents the unearned portion of upfront payments received by the Agency.

h. Payment in Lieu of Taxes (PILOT)

The Agency enters into and administers PILOT agreements for various unrelated business entities located in the City of Newburgh. Under the terms of the PILOT agreements, title to property owned by the unrelated business entity is transferred to the Agency for a certain period of time. During the period in which the Agency holds title, the business entity pays a PILOT to the Agency based on a calculation defined by the specific agreement. The PILOTs allow the companies to make payments that are less than the property taxes that would be paid on the related property's assessed value.

City of Newburgh, New York Industrial Development Agency

(A Component Unit of the City of Newburgh, New York)

Notes to Financial Statements December 31, 2021 and 2020

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

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

Once the PILOT is received, the Agency remits the PILOT to the respective taxing authorities. Certain requirements, as defined by each agreement, are to be met by the company to be able to maintain its PILOT. These requirements, as stated in the PILOT agreement, can be comprised of reaching and maintaining certain employment goals and paying its PILOT in a timely fashion. At the completion of the PILOT, title to the property is transferred back to the third-party business owner and is then subject to property taxes based on its assessed value.

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

i. Industrial Revenue Bonds and Notes Transactions

Industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies. The rental payments from the underlying leases are sufficient for the repayment of the bonds and notes. The bonds and notes are considered conduit debt and, therefore, are not obligations of the Agency, the City of Newburgh, or New York State. As such, the Agency does not record the assets or liabilities resulting from completed bonds and notes issued or leases entered into in its accounts since its primary function is to arrange the financing between the lessee companies and the bond and note holders, and funds arising there from are controlled by trustees or banks as fiscal agents. For providing this service, the Agency receives bond administration fees from the lessee companies. Industrial development revenue bonds issued by the Agency had an aggregated original issue value of \$43,230,000 and balances outstanding totaling \$22,297,868 and \$25,792,768 at December 31, 2021 and 2020, respectively.

j. Financial Statement Reissuance

The Agency has reissued its 2021 and 2020 financial statements on September 29, 2022 to reflect corrections of operating expense classifications. There was no change in total operating expenses. The following table presents the reissued and originally issued operating expense classifications.

	<u>Year Ended December 31, 2021</u>		<u>Year Ended December 31, 2020</u>	
	<u>As Reissued</u>	<u>As Originally Issued</u>	<u>As Reissued</u>	<u>As Originally Issued</u>
OPERATING EXPENSES				
Administrative fees	\$ 10,279	\$ 54,046	\$ 2,578	\$ 34,701
Insurance	2,297	2,297	2,366	2,366
Office expense	3,539	4,245	3,010	3,580
Professional services	49,899	36,552	72,121	64,014
Project expenses	845	14,192	-	9,563
Contracted personnel services	45,151	-	34,149	-
Other expenses	-	678	-	-
	<u>\$ 112,010</u>	<u>\$ 112,010</u>	<u>\$ 114,224</u>	<u>\$ 114,224</u>

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

Notes to Financial Statements
December 31, 2021 and 2020

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

k. Subsequent Events

The Agency has evaluated subsequent events for potential recognition or disclosure through March 8, 2022, the date the financial statements were available to be issued.

Note 2 - Lease Agreements

The Agency has entered into several long-term leasing or easement arrangements for property owned by the Agency which typically provide for the lessee to construct commercial real estate. The agreements generally provide for significant up-front payments and nominal annual payments thereafter. Payments received in advance are initially recorded as unearned and are recognized on the straight-line basis over the lease terms which range from 10 to 60 years. Income recognized pursuant to these arrangements was \$12,973 during the years ended December 31, 2021 and 2020, respectively.

The Agency also leases a parcel of land from the City at no cost. The Agency subleases the parcel pursuant to a land lease which provides for the lessee to operate a cell tower. A portion of the rental income received by the lessee under long-term carrier agreements is paid to the Agency pursuant to the sublease. Rental income pursuant to the sublease approximated \$125,600 and \$115,146 during 2021 and 2020, respectively.

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

Note 3 - Contingencies

a. Environmental Risks

The Agency owns certain parcels that are known to have environmental issues and require remediation of the sites before any sale or closing can be completed. As a result, such parcels have no carrying value. One property is included in New York State's DEC Brownfield Cleanup Program (Project) and any prospective buyer must commit to undertake the remediation plan and remediate the site. Closing on the sale of the property is contingent on the successful remediation of the site.

b. City of Newburgh Local Development Corporation

As of both December 31, 2021 and 2020, the Agency has fully reserved \$752,740 due from the City of Newburgh Local Development Corporation (LDC) as the LDC is inactive and does not have sufficient working capital to make payments to the Agency.

City of Newburgh, New York Industrial Development Agency

(A Component Unit of the City of Newburgh, New York)

Notes to Financial Statements December 31, 2021 and 2020

Note 4 - Accounting Pronouncements Issued But Not Yet Implemented

GASB Statement No. 87, Leases. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 91, Conduit Debt Obligations. This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. This statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improves note disclosures. The requirements for this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92, Omnibus 2021. This statement addresses a variety of topics including leases, intra-entity transfers, fiduciary activities, public entity risk pools/reinsurance recoveries, fair value measurements, and derivative instrument technology. The requirements of this statement, as delayed by GASB 95, are effective for periods beginning after June 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement addresses governments that have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallbacks provisions to the reference rate. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of IBOR, such as providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, and clarifying the definition of reference rate. The removal of the London IBOR as an appropriate benchmark interest rate is effective for reporting periods beginning after December 31, 2021. The requirements to lease modifications, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021. All other requirements of this statement were effective for reporting periods beginning after June 15, 2020.

City of Newburgh, New York Industrial Development Agency

(A Component Unit of the City of Newburgh, New York)

Notes to Financial Statements December 31, 2021 and 2020

Note 4 - Accounting Pronouncements Issued But Not Yet Implemented - Continued

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as an infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

Some PPPs meet the definition of a service concession arrangement (SCA), which GASB defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement: (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Under this statement, a government generally should recognize a right-to-use subscription asset and a corresponding subscription liability. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Service Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and 84, and a Supersession of GASB Statement No. 32.* The primary objectives of this statement are to (1) increase consistency and comparability relating to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, expect for a potential component unit that is a defined contribution pension plan, a defined

City of Newburgh, New York Industrial Development Agency

(A Component Unit of the City of Newburgh, New York)

Notes to Financial Statements December 31, 2021 and 2020

Note 4 - Accounting Pronouncements Issued But Not Yet Implemented - Continued

contribution other postemployment benefit plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board would typically perform. The requirements of this statement that: (1) exempt primary governments that perform duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution other postemployment benefit plans, or other employee benefit plans; and (2) limit the applicability of the financial burden criteria, are effective immediately. The requirements of this statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this statement that provide for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

The Agency's management is not able to estimate the extent of the potential impact of these statements on the future financial statements.

City of Newburgh, New York
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Supplementary Information - Schedule of Indebtedness

<u>Project Description</u>	<u>Original Issue Amount</u>	<u>Original Issue Date</u>	<u>Current Interest Rate</u>	<u>Outstanding January 1, 2021</u>	<u>Issued During 2021</u>	<u>Principal Payments 2021</u>	<u>Outstanding December 31, 2021</u>	<u>Final Maturity Date</u>
Bourne & Kenney	\$ 4,500,000	07/99	5.75%	\$ 2,635,000	\$ -	\$ 170,000	\$ 2,465,000	02/32
Belvedere Housing, LP	17,500,000	08/04	Varies	11,872,768	-	284,235	11,588,533	07/41
St. Luke's Cornwall Hospital Parking Garage	21,230,000	11/05	Varies	11,285,000	-	3,040,665	8,244,335	10/30
	<u>\$ 43,230,000</u>			<u>\$ 25,792,768</u>	<u>\$ -</u>	<u>\$ 3,494,900</u>	<u>\$ 22,297,868</u>	



**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed In Accordance
With Government Auditing Standards**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Newburgh, New York Industrial Development Agency (Agency), a component unit of the City of Newburgh, New York, as of and for the year ended December 31, 2021, 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 18, 2021.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BST+Co.CPAs, LLP

Albany, New York
March 8, 2022

