

FINANCIAL REPORT
Audited
CITY OF MIDDLETOWN INDUSTRIAL DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
December 31, 2020

Audited for:

Board of Directors
Middletown Industrial Development Agency

Audited By:
RBT CPAs, LLP
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Newburgh, NY 12550
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**CITY OF MIDDLETOWN INDUSTRIAL DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK**

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LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of Middletown Industrial Development Agency
16 James Street
Middletown, New York 10940

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Middletown Industrial Development Agency (the "Agency"), a component unit of the City of Middletown, New York, as of and for the years ended December 31, 2020 and 2019, 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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 respective financial position of the City of Middletown Industrial Development Agency, a component unit of the City of Middletown, New York, as of December 31, 2020 and 2019, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note III to the financial statements, the spread of the global pandemic, coronavirus disease (COVID-19), during the year has created economic uncertainty. Our opinion is not modified with respect to this matter.

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 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Middletown Industrial Development Agency, a component unit of the City of Middletown, New York's basic financial statements. The Schedule of Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Supplementary Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the number of full-time equivalent jobs created and retained, information upon which we express no opinion, 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 information 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 16, 2021, on our consideration of the City of Middletown Industrial Development Agency, a component unit of the City of Middletown, New York'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 Middletown Industrial Development Agency's internal control over financial reporting and compliance.

RBT CPAs, LLP

Newburgh, NY
March 16, 2021

**CITY OF MIDDLETOWN INDUSTRIAL DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The following “Management’s Discussion and Analysis” report (“MD&A”) provides the reader with an introduction to and overview of the financial activities and performance of the City of Middletown Industrial Development Agency (the “Agency”) for the years ended December 31, 2020 and 2019. This information should be reviewed in conjunction with the Agency’s audited financial statements.

FINANCIAL POSITION SUMMARY

Net position serves as an indicator of the Agency’s financial position. The Agency’s net position was \$116,628 and \$113,432 at December 31, 2020 and 2019, respectively.

SUMMARY OF NET POSITION

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Current Assets	<u>\$ 116,628</u>	<u>\$ 113,432</u>	<u>\$ 3,196</u>	<u>2.82%</u>
Total Assets	<u>116,628</u>	<u>113,432</u>	<u>3,196</u>	<u>2.82%</u>
<u>NET POSITION</u>				
Unrestricted	<u>116,628</u>	<u>113,432</u>	<u>3,196</u>	<u>2.82%</u>
Total Net Position	<u>116,628</u>	<u>113,432</u>	<u>3,196</u>	<u>2.82%</u>
Net Position	<u>\$ 116,628</u>	<u>\$ 113,432</u>	<u>\$ 3,196</u>	<u>2.82%</u>

**CITY OF MIDDLETOWN INDUSTRIAL DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT’S DISCUSSION AND ANALYSIS**

FINANCIAL OPERATIONS HIGHLIGHTS

There was an increase in net position in 2020 of \$3,196, and an increase in net position in 2019 of \$11,741, resulting in a decrease of \$8,545 in the change in net position year over year. This change is primarily due to a decrease in administrative fees received.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

<u>REVENUES</u>	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Fees	\$ 9,000	\$ 19,630	\$ (10,630)	-54.15%
Interest Earnings	113	120	(7)	-5.83%
Total Revenues	<u>9,113</u>	<u>19,750</u>	<u>(10,637)</u>	<u>-53.86%</u>
<u>EXPENSES</u>				
Professional Fees	3,400	5,500	(2,100)	-38.18%
Postage and Delivery	34	118	(84)	-71.19%
Insurance	2,245	2,245	-	0.00%
Bank Charges	-	60	(60)	-100.00%
Office Supplies	238	86	152	176.74%
Total Expenses	<u>5,917</u>	<u>8,009</u>	<u>(2,092)</u>	<u>-26.12%</u>
Change in Net Position	<u>\$ 3,196</u>	<u>\$ 11,741</u>	<u>\$ (8,545)</u>	<u>-72.78%</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 Middletown, New York because the City Council appoints the Agency’s Board. Bonds issued by the Agency are not a liability of the City or the Agency, but remain the sole responsibility of the project developer. For details of the Agency’s finances, see the accompanying financial statements and notes thereof.

**CITY OF MIDDLETOWN INDUSTRIAL DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
STATEMENTS OF NET POSITION**

As of December 31	2020	2019
ASSETS		
Cash and Cash Equivalents	<u>\$ 116,628</u>	<u>\$ 113,432</u>
Total Current Assets	<u>116,628</u>	<u>113,432</u>
TOTAL ASSETS	<u>116,628</u>	<u>113,432</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
NET POSITION		
Unrestricted	<u>116,628</u>	<u>113,432</u>
TOTAL NET POSITION	<u>\$ 116,628</u>	<u>\$ 113,432</u>

See Notes to the Financial Statements

**CITY OF MIDDLETOWN INDUSTRIAL DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**

For the Year Ended December 31	2020	2019
Operating Revenues:		
Fees	<u>\$ 9,000</u>	<u>\$ 19,630</u>
Total Operating Revenues	<u>9,000</u>	<u>19,630</u>
Operating Expenses:		
Professional Fees	3,400	5,500
Postage and Delivery	34	118
Insurance	2,245	2,245
Bank Charges	-	60
Office Supplies	<u>238</u>	<u>86</u>
Total Operating Expenses	<u>5,917</u>	<u>8,009</u>
Operating Income	<u>3,083</u>	<u>11,621</u>
Non-Operating Revenues:		
Interest Income	<u>113</u>	<u>120</u>
Net Non-Operating Revenues	<u>113</u>	<u>120</u>
Change in Net Position	3,196	11,741
Net Position, Beginning	<u>113,432</u>	<u>101,691</u>
Net Position, Ending	<u>\$ 116,628</u>	<u>\$ 113,432</u>

See Notes to the Financial Statements

**CITY OF MIDDLETOWN INDUSTRIAL DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
STATEMENTS OF CASH FLOWS**

For the Year Ended December 31	2020	2019
Cash Flows From Operating Activities:		
Receipts from Providing Services	\$ 9,000	\$ 19,630
Payments to Vendors	(5,917)	(11,509)
Net Cash Provided by Operating Activities	<u>3,083</u>	<u>8,121</u>
Cash Flows From Investing Activities:		
Interest Income	<u>113</u>	<u>120</u>
Net Cash Provided by Investing Activities	<u>113</u>	<u>120</u>
Net Increase in Cash and Cash Equivalents	3,196	8,241
Cash and Cash Equivalents - Beginning	<u>113,432</u>	<u>105,191</u>
Cash and Cash Equivalents - Ending	<u>\$ 116,628</u>	<u>\$ 113,432</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used in) Operating Activities		
Operating Income	\$ 3,083	\$ 11,621
Changes in Assets and Liabilities:		
Accounts Payable	<u>-</u>	<u>(3,500)</u>
Net Cash Provided by Operating Activities	<u>\$ 3,083</u>	<u>\$ 8,121</u>

See Noted to the Financial Statements

**CITY OF MIDDLETOWN INDUSTRIAL DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The City of Middletown Industrial Development Agency (the "Agency") was created in 1982 by the New York State Legislature under the provisions of Chapter 632 of the Laws of New York State. The Agency was established for the purpose of encouraging economic growth in the City of Middletown, New York (the "City"). The Agency assists with financing arrangements, and has the authority to grant real property, mortgage and sales tax exemptions. The Agency is exempt from federal, State and Local income taxes.

The Agency is comprised of five Board Members, a Chairman, Vice Chairman, Secretary, Treasurer and Executive Director.

B. The Reporting Entity

The Agency is considered a component unit of the financial reporting entity known as the City of Middletown, New York. Inclusion in the financial reporting entity, the City of Middletown, is determined based on financial accountability as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, "The Financial Reporting Entity", as amended. Members of the governing board of the Agency are appointed by the Common Council of the City. This level of control meets the criteria for financial accountability as defined by GASB Statement No. 14, as amended.

C. Basis of Accounting

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles ("GAAP"), as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under standards set by GASB, the Agency is considered a proprietary fund. Proprietary fund financial statements are prepared on the accrual basis of accounting, which records the financial effects of transactions and other events when these transactions and events occur. Revenues are recognized when they are earned and expenses are recognized when they are incurred. The measurement focus is the flow of economic resources.

D. Cash and Cash Equivalents

Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

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.

The Agency's investment policies are governed by State statutes. The Agency has adopted its own written investment policy which provides for the deposit of funds in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the State. The Agency is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by the FDIC. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

**CITY OF MIDDLETOWN INDUSTRIAL DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. Deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Agency's name. The Agency's aggregate bank balances were fully insured by the FDIC.

E. 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.

F. Subsequent Events

The Agency evaluated subsequent events for disclosure and/or recognition in the financial statements from December 31, 2020, and through March 16, 2021, the date on which the financial statements were approved for issuance.

II. CONDUIT DEBT - INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes are secured by property which is leased to companies and the bonds are retired by lease payments. The bonds and notes are not obligations of the Agency, City or the State of New York, but are considered conduit debt. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. The fee received by the Agency is one-half of one percent on the first \$10 million of loans and one-eighth of one percent for any amount of borrowing in excess of \$10 million. Such administrative fee income is recognized immediately upon the issuance of bonds and/or notes. The Agency has no conduit debt outstanding as of December 31, 2020.

III. UNCERTAINTY

Beginning in March 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot directly quantify the financial and other impacts to the Agency as of March 16, 2021, management believes that a material impact on the Agency's financial position and results of future operations is reasonably possible.

IV. NEW REPORTING STANDARDS

GASB has issued Statements 84-97, none of which are expected to have any substantive effects on the Agency's net position.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF MIDDLETOWN INDUSTRIAL DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
SCHEDULE OF SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2020**

	PROJECTS					
	SML Group Enterprises	Southeast Housing Corp.	Danza Leser Group LLC	Heritage Restoration	Equilibrium Brewery, LLC and 22 Henry Street, LLC	Equilibrium Brewery, LLC 2 - 8 South Street Renovation
Tax Exemptions:						
Sales Tax	\$ 9,631	\$ -	\$ 17,562	\$ -	\$ -	\$ -
Mortgage Tax	-	-	-	-	-	-
Real Property Taxes*	304,775	246,627	190,178	59,156	21,325	34,414
TOTALS	\$ 314,406	\$ 246,627	\$ 207,740	\$ 59,156	\$ 21,325	\$ 34,414
Payments in Lieu of Taxes ("PILOTS"):						
County	\$ 4,514	\$ 7,239	\$ 8,714	\$ 1,102	\$ 619	\$ 1,321
City	15,876	27,531	30,646	3,871	2,179	4,643
School	29,485	50,501	65,993	7,027	3,955	8,429
TOTALS	\$ 49,875	\$ 85,271	\$ 105,353	\$ 12,000	\$ 6,753	\$ 14,393
CREATED AND RETAINED**:						
# FTEs before IDA status	0	4	5	0	0	4
Original Estimate of Jobs to be Created	N/A	N/A	N/A	20	7	3
Original Estimate of Jobs to be Retained	N/A	N/A	N/A	20	N/A	N/A
Current # of FTEs	38	2	126	25	10	28
# of FTE Jobs Created During Fiscal Year	2	0	1	0	0	0
Net Employment Change	38	-2	121	25	10	24

* Real Property Tax Exemptions indicate the total amount for which a project would have been liable if the project occurred but the IDA was not involved.

**PARIS amounts may differ due to software constraints.

N/A - Not Available



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

Board of Directors
City of Middletown Industrial Development Agency
16 James Street
Middletown, NY 10940

We have audited, in accordance with the 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 Middletown Industrial Development Agency (the “Agency”), a component unit of the City of Middletown, New York, as of and for the years ended December 31, 2020 and 2019, 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 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the 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 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 deficiency, or 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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 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 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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RBT CPAs, LLP

Newburgh, NY
March 16, 2021

**CITY OF MIDDLETOWN INDUSTRIAL DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
SCHEDULE OF FINDINGS
For the Year Ended December 31, 2020**

A. Internal Control Findings

No internal control findings noted.

B. Compliance Findings

No compliance findings noted.

