

**Middletown Community Development Agency  
Middletown, New York**

**Report to the Board**

**December 31, 2019**





LIMITED LIABILITY PARTNERSHIP  
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

March 3, 2020

To the Board of Directors  
Middletown Community Development Agency  
16 James Street  
Middletown, New York 10940

We are pleased to present this report related to our audit of the financial statements of the Middletown Community Development Agency (the "Agency"), for the year ended December 31, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Agency's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Agency.

Very truly yours,

*RBT CPAs, LLP*

Linda M. Hannigan, CPA  
Director

[rbtcpas.com](http://rbtcpas.com)

11 Racquet Road  
Newburgh, NY 12550  
T: (845) 567-9000  
F: (845) 567-9228

2678 South Road, Suite 101  
Poughkeepsie, NY 12601  
T: (845) 485-5510  
F: (845) 485-5547

P.O. Box 209  
51 Sullivan Street  
Wurtsboro, NY 12790  
T: (845) 888-5656  
F: (845) 888-2789

340 Madison Avenue  
19th Floor  
New York, NY 10173  
T: (718) 772-0850  
F: (718) 772-0851



**Middletown Community Development Agency**

**CONTENTS**

Page

Required Communications

1 – 2

Summary of Recorded Audit Adjustments

3

Exhibit A – Significant Written Communications Between Management and Our Firm

Management Representation Letter

4 – 7

**Middletown Community Development Agency  
Report to the Board of Directors**

**Required Communications**

Generally accepted auditing standards (AU-C 260, The Auditor’s Communication With Those Charged With Governance) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

<b>Area</b>	<b>Comments</b>
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated January 22, 2020. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a separate communication dated January 22, 2020 regarding the planned scope and timing of our audit and identified significant risks. Describe changes, if any, to information in the previous communication that have not otherwise been discussed with those charged with governance.
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b></p> <p>Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Agency. In 2017 the Agency early adopted GASB 89 <i>Accounting for Interest Cost Incurred Before the End of a Construction Period</i>. Under the GASB interest costs are no longer capitalized until the completion of the project.</p> <p><b>Significant or Unusual Transactions</b></p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management’s Judgments and Accounting Estimates</b></p> <p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
<b>Basis of Accounting</b>	The financial statements were prepared on the assumption that the Agency will continue as a going concern.
<b>Audit Adjustments</b>	Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the Agency are shown in the attached Summary of Recorded Audit Adjustments.

**Middletown Community Development Agency  
Report to the Board of Directors**

<b>Area</b>	<b>Comments</b>
<b>Uncorrected Misstatements</b>	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed or the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Significant Written Communications Between Management and Our Firm</b>	Copies of significant written communications between our firm and the management of the Agency, including the representation letter provided to us by management, are attached as Exhibit A.





**Middletown Community Development Agency  
Summary of Recorded Audit Adjustments  
Year Ended December 31, 2019**

## Summary of Recorded Audit Adjustments

Description	Assets	Liabilities	Equity	Revenue	Expense
To adjust non-current asset and liability to reflect 2019 project sales	\$ (113,932)	\$ (113,932)	\$ -	\$ -	\$ -
To reverse capitalized interest	(2,304)	-	-	-	2,304
To record loan initiation fee	765	765	-	-	-
To accrue 4th quarter loan interest	-	2,289	-	-	2,289
To record mortgage receivable from sale of 70 Beattie	92,900	92,900	-	-	-
To record grant receivable from sale of 13 Ridge Street	10,000	10,000	-	-	-
Total Effect				\$ -	\$ 4,593
Balance Sheet Effect	\$ (12,571)	\$ (7,978)	\$ -		

The adjustments above reflect increases/(decreases) to the indicated account classes.

**Exhibit A – Certain Written Communications Between  
Management and Our Firm**

March 3, 2020

RBT CPAs, LLP  
11 Racquet Rd.,  
Newburgh, NY 12550

This representation letter is provided in connection with your audit of the financial statements of the City of Middletown Community Development Agency ("Agency"), a component unit of the City of Middletown, New York, which comprise the respective financial position of the business-type activities as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of March 3, 2020, the following representations made to you during your audit.

#### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated January 22, 2020, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including advances receivable and payable, sale and purchase transactions, long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.

9. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
10. We have no knowledge of any uncorrected misstatements in the financial statements.

**Information Provided**

11. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
  - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of allegations of fraud or suspected fraud affecting the Agency's financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency's financial statements received in communications from employees, former employees, analysts, regulators, short sellers or others.
16. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
17. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the Agency's related parties and all the related-party relationships and transactions of which we are aware.
19. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Agency's ability to record, process, summarize and report financial data.
20. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

## Supplementary Information

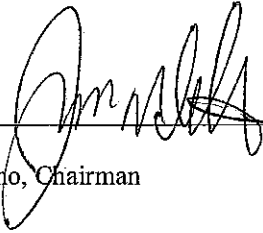
21. With respect to supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
22. With respect to the Management's Discussion and Analysis (MD&A), Schedule of Funding Progress for Other Post-Employment Benefit Plan, Schedule of the Proportionate Share of the Net Pension Liability, and Schedule of Pension Contributions, presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

## Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

23. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
24. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
25. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
26. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
27. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
28. Is responsible 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.
29. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
30. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.
31. Has a process to track the status of audit findings and recommendations.
32. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.

33. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

A handwritten signature in black ink, appearing to read 'J DeStefano', written over a horizontal line.

Joseph DeStefano, Chairman

A handwritten signature in black ink, appearing to read 'D Paris', written over a horizontal line.

Donald Paris, Treasurer