

FINANCIAL REPORT
Audited
MIDDLETOWN COMMUNITY DEVELOPMENT AGENCY
(A Component Unit of Middletown, New York)
MIDDLETOWN, NEW YORK
December 31, 2022

Audited for:

Board of Directors
Middletown Community Development Agency

Audited By:
RBT CPAs, LLP
11 Racquet Road
Newburgh, NY 12550
(845) 567-9000

**MIDDLETOWN COMMUNITY 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
Middletown Community Development Agency
16 James Street
Middletown, New York 10940

Report on the Financial Statements

Opinion

We have audited the financial statements of the Middletown Community Development Agency (the "Agency"), a component unit of the City of Middletown, New York, as of and for the years ended December 31, 2022, and 2021, 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 Middletown Community Development Agency as of December 31, 2022, and 2021, and the changes in 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 audit 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* ("GAS"), 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the management's discussion and analysis, on pages 4-5, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2023, on our consideration of the City of Middletown Community Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Agency's internal control over financial reporting and compliance.

RBT CPAs, LLP

Newburgh, New York
March 7, 2023

**MIDDLETOWN COMMUNITY 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 and overview to the financial activities and performance of the Middletown Community Development Agency (the “Agency”) for the years ended December 31, 2022 and 2021. This information should be reviewed in conjunction with the Agency’s audited financial statements.

The Agency was established in 2002 and its purpose is to plan and implement programs involving the rehabilitation and revitalization of both the residential and commercial sectors of the City of Middletown, eliminate blight, foster economic growth, and provide other benefits to the City of Middletown.

FINANCIAL POSITION SUMMARY

Net position may serve as an indicator of the Agency’s financial position. The Agency’s net position was \$86,608 and \$94,149 at December 31, 2022 and 2021, respectively. The decrease in net position year over year of \$(7,541) reflects the Agency’s “loss” for 2022.

<u>SUMMARY OF NET POSITION</u>				
<u>ASSETS</u>	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Current Assets	\$ 52,482	\$ 221,422	\$ (168,940)	-76.30%
Capital Assets	621,286	385,043	236,243	61.35%
Total Assets	673,768	606,465	67,303	11.10%
<u>LIABILITIES</u>				
Current Liabilities	19,080	2,366	16,714	706.42%
Non-Current Liabilities	488,080	449,950	38,130	8.47%
Total Liabilities	507,160	452,316	54,844	12.13%
Deferred Inflows of Resources	80,000	60,000	20,000	33.33%
<u>NET POSITION</u>				
Unrestricted	86,608	94,149	(7,541)	-8.01%
NET POSITION	\$ 86,608	\$ 94,149	\$ (7,541)	-8.01%

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

FINANCIAL OPERATIONS HIGHLIGHTS

The decrease in net position primarily represented the renovation expenses. The project sold in 2022 was 8 Talcott Place.

Renovated property sales decreased by \$154,007 in 2022 over 2021 as only one property was sold in 2022. The related project costs were lower for 2022 than for 2021 by \$71,122.

A summary of operations is as follows:

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

<u>REVENUES</u>	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Renovated property sales	\$ 222,799	\$ 376,806	\$ (154,007)	-40.87%
Interest income	11	7	4	57.14%
Total Revenues	222,810	376,813	(154,003)	-40.87%
<u>EXPENSES</u>				
Advertising	56	199	(143)	-71.86%
Office expense	428	-	428	100.00%
Professional fees	5,250	5,120	130	2.54%
Bank Charges	-	392	(392)	100.00%
Project costs	221,501	292,623	(71,122)	-24.30%
Interest expense and financing charges	3,116	1,576	1,540	97.72%
Total Expenses	230,351	299,910	(69,559)	-23.19%
Change in Net Position	\$ (7,541)	\$ 76,903	\$ (84,444)	-109.81%

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”). The Agency is structured as a proprietary fund. The City Council serves as the Agency’s ten-member board. See the accompanying Notes to the Financial Statements.

**MIDDLETOWN COMMUNITY DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
STATEMENTS OF NET POSITION**

As of December 31	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 52,482	\$ 221,422
Total Current Assets	<u>52,482</u>	<u>221,422</u>
Construction in Progress	311,060	101,947
Grants Receivable (Note IV)	80,000	60,000
Properties held by Agency (Note II)	<u>230,226</u>	<u>223,096</u>
Total Capital Assets	<u>621,286</u>	<u>385,043</u>
TOTAL ASSETS	<u>673,768</u>	<u>606,465</u>
LIABILITIES		
Accounts Payable and Accrued Expenses	<u>19,080</u>	<u>2,366</u>
Total Current Liabilities	<u>19,080</u>	<u>2,366</u>
Non-Current Liabilities:		
Due to Related Party (Note III)	257,854	226,854
Properties held by Agency (Note II)	<u>230,226</u>	<u>223,096</u>
Total Non-Current Liabilities	<u>488,080</u>	<u>449,950</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue - Grants Receivable (Note IV)	<u>80,000</u>	<u>60,000</u>
Total Deferred Inflows Of Resources	<u>80,000</u>	<u>60,000</u>
TOTAL LIABILITIES	<u>587,160</u>	<u>512,316</u>
NET POSITION		
Unrestricted	<u>86,608</u>	<u>94,149</u>
TOTAL NET POSITION	<u>\$ 86,608</u>	<u>\$ 94,149</u>

See Notes to Financial Statements

**MIDDLETOWN COMMUNITY DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the Years Ended December 31	2022	2021
Operating Revenues:		
Renovated Property Sales	<u>\$ 222,799</u>	<u>\$ 376,806</u>
Total Operating Revenues	<u>222,799</u>	<u>376,806</u>
Operating Expenses:		
Advertising	56	199
Office Expense	428	-
Bank Charges	-	392
Professional Fees	5,250	5,120
Project Costs	<u>221,501</u>	<u>292,623</u>
Total Operating Expenses	<u>227,235</u>	<u>298,334</u>
Operating Income/(Loss)	<u>(4,436)</u>	<u>78,472</u>
Non-Operating Revenues:		
Interest Income	<u>11</u>	<u>7</u>
Net Non-Operating Revenues	<u>11</u>	<u>7</u>
Non-Operating Expenses:		
Interest Expense and Financing Charges	<u>3,116</u>	<u>1,576</u>
Net Non-Operating Expenses	<u>3,116</u>	<u>1,576</u>
Change in Net Position	<u>(7,541)</u>	<u>76,903</u>
Net Position, Beginning	<u>94,149</u>	<u>17,246</u>
Net Position, Ending	<u><u>\$ 86,608</u></u>	<u><u>\$ 94,149</u></u>

See Notes to Financial Statements

**MIDDLETOWN COMMUNITY DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
STATEMENTS OF CASH FLOWS**

For the Years Ended December 31	2022	2021
Cash Flows from Operating Activities:		
Receipts from Renovated Property Sales	\$ 222,799	\$ 376,806
Payments for Administrative and Project Expenses	(412,018)	(226,856)
Payments for Professional Services	(5,250)	(5,120)
Net Cash Provided by/(Used in) Operating Activities	<u>(194,469)</u>	<u>144,830</u>
Cash Flows from Capital and Related Financing Activities:		
Loan Proceeds	31,000	44,001
Interest Expense	(5,482)	790
Net Cash Provided by/(Used in) Capital and Related Financing Activities	<u>25,518</u>	<u>44,791</u>
Cash Flows from Investing Activities:		
Interest Income	11	7
Net Cash Provided by Investing Activities	<u>11</u>	<u>7</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(168,940)	189,628
Cash and Cash Equivalents, Beginning	<u>221,422</u>	<u>31,794</u>
Cash and Cash Equivalents, Ending	<u>\$ 52,482</u>	<u>\$ 221,422</u>
Reconciliation of Operating Income to Net Cash Provided by/(Used in) Operating Activities:		
Operating Income/(Loss)	\$ (4,436)	\$ 78,472
Changes in Assets and Liabilities:		
Grants Receivable	(20,000)	(30,000)
Construction in Progress	(209,113)	67,425
Accounts Payable and Accrued Expenses	19,080	(1,067)
Deferred Inflows of Resources	20,000	30,000
Net Cash Provided by/(Used in) Operating Activities	<u>\$ (194,469)</u>	<u>\$ 144,830</u>

See Notes to Financial Statements

**MIDDLETOWN COMMUNITY DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

I. Organization and Summary of Significant Accounting Policies

A. Organization and Purpose

The Middletown Community Development Agency (the "Agency") was established by NYS legislation on July 18, 2002 at the request of the City of Middletown. It functions as an "Urban Renewal Agency" under Articles 15-A, and Section 601-a of Article 15-B of the General Municipal Laws of the State of New York. The mission of the Agency is to plan and implement programs involving the rehabilitation and revitalization of both the residential and commercial sectors of the City of Middletown, eliminate blight, foster economic growth, and provide other benefits to the City of Middletown.

The Agency is comprised of ten Board Members including 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. Pursuant to Section 601-a of the New York General Municipal Law, members of the City of Middletown Common Council and Mayor are the members of the Agency Board of Directors. 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 the 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

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

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

E. Advertising and Marketing Costs

Advertising costs are expensed as incurred.

**MIDDLETOWN COMMUNITY DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

I. Organization and Summary of Significant Accounting Policies (Continued)

F. 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.

G. Subsequent Events

The Agency evaluated subsequent events for disclosure and/or recognition in the financial statements from December 31, 2022, and through March 7, 2023, the date on which the financial statements were approved for issuance.

II. Properties Held by the Agency

In 2014 the City of Middletown transferred several properties to the Agency without any payment by the Agency. The value of these properties was equal to the outstanding property tax due to the City at the time of transfer and the Agency recorded a corresponding liability. The Agency has reduced the value of the properties held, along with reducing the liability as properties are renovated and sold. The City has not required any payments when the properties are sold. As of December 31, 2022 and December 31, 2021, the Agency held nine and nine properties, respectively, with a value of \$230,226 and \$223,096, respectively. They represent open projects at various stages of planning or construction.

III. Related Party Transactions - Loans

In 2014 the Agency received an initial loan in the amount of \$50,000 from the City of Middletown, which is considered a related party, for the purpose of renovating a specific property and assisting with the implementation of the City's Urban Renewal Plan. The loan is non-interest bearing and callable at any time. Since 2014 the Agency has obtained additional loans under this agreement which bear interest of 1.5% annually. The amount outstanding at December 31, 2022 was \$257,854 and December 31, 2021 was \$226,854.

IV. Related Party Transactions – Grants Receivable

The Agency may sell property which can include a grant of \$10,000, secured by a mortgage with the City of Middletown. Upon meeting certain conditions, including maintaining the property as a personal residence for ten years, the mortgage could be forgiven and the grant need not be repaid. In 2022 one property was sold with a similar mortgage term and amount. In 2021 the Agency sold two properties with similar mortgage terms and amounts. As of December 31, 2022 and 2021, grants receivable and the related deferred inflow was \$80,000 and \$60,000, respectively.

V. New Reporting Standards

The GASB has issued statements 94 through 101, with varying implementation dates, none of which are expected to have any substantive effects on the Agency's net position.

OTHER REPORTING REQUIRED by
GOVERNMENT AUDITING STANDARDS



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

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

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

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 Middletown Community Development Agency (the "Agency") a component unit of the City of Middletown, New York as of and for the years ended December 31, 2022 and 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 7, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Middletown Community Development Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 Middletown Community Development Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Middletown Community Development Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RBT CPAs, LLP

Newburgh, New York
March 7, 2023

**MIDDLETOWN COMMUNITY DEVELOPMENT AGENCY
MIDDLETOWN, NEW YORK
SCHEDULE OF FINDINGS**

A. Internal Control Findings

No internal control findings noted.

B. Compliance Findings

No compliance findings noted.

