



October 4, 2017

Board of Directors
Newburgh Community Land Bank
15 Chambers Street
Newburgh, New York 12550

Dear Members of the Board:

We are pleased to present this report related to our audit of the financial statements of the Newburgh Community Land Bank (NCLB) as of and for the year ended June 30, 2017. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the NCLB'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 be of service to the NCLB.

Very truly yours,

BST & Co. CPAs, LLP

Paul L. Goetz, Partner

PLG/dmc



Newburgh Community Land Bank

Communication With Those Charged With Governance Year Ended June 30, 2017

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.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated August 30, 2017. 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.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

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.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the NCLB. The NCLB did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant or Unusual Transactions

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.

Management's Judgments and Accounting Estimates

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 Exhibit A, Summary of Significant Accounting Estimates.

Newburgh Community Land Bank

Communication With Those Charged With Governance Year Ended June 30, 2017

Audit Adjustments

Audit adjustments proposed by us and recorded by the NCLB are shown on the attached Exhibit B, Summary of Recorded Audit Adjustments.

Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Disagreements with Management

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.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed with or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting

Significant deficiencies and material weaknesses are communicated in the 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*.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the NCLB, including the representation letter provided to us by management, are attached as Exhibit C.



Newburgh Community Land Bank

Summary of Significant Accounting Estimates Year Ended June 30, 2017

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the NCLB's June 30, 2017 financial statements:

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Estimation Process</u>
Depreciation	At the time an asset is capitalized, its useful life and acquisition date are determined.	All capital assets are depreciated using the straight-line method over the estimated useful lives of the respective assets, which vary from five to nine years.
Property Held for Development and Resale	Expenditures for the acquisition, renewal, betterment and stabilization of the properties are initially capitalized within the cost of each parcel. The carrying value of the individual parcels are evaluated on a periodic basis and adjusted to the lower of cost or net estimated realizable value.	Net realizable value for individual parcels is determined based upon average appraisal values using market data.

We have evaluated management's significant accounting estimates noted above as part of our audit, and concluded that management's estimates and the estimation process appear reasonable in the context of the financial statements taken as a whole.

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Summary of Recorded Audit Adjustments
Year Ended June 30, 2017

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
To adjust grant receivables and revenues to actual	\$ (85,950)	\$ -	\$ -	\$ (85,950)	\$ -
To record 2017 depreciation expense	(11,155)	-	-	-	11,155
To reclassify client journal entry to adjust properties to lower of cost or fair value	-	-	-	270,084	270,084
To record accounts payable found in our testing	87,885	(87,885)	-	-	-
To adjust properties to LCM after payables adjustment	(87,885)	-	-	-	87,885
To reclassify CDBG reimbursement request posted against expense accounts	-	-	-	99,014	99,014
To adjust grant revenue to deferred revenue	-	(15,000)	-	(15,000)	-
To gross up CDBG grant revenue as per amounts received	-	-	-	43,027	43,027
Total Statement of Revenues, Expenses, and Changes of Net Position Effect			<u>(199,990)</u>	<u>\$ 311,175</u>	<u>\$ 511,165</u>
Total Statement of Net Position Effect	<u>\$ (97,105)</u>	<u>\$ (102,885)</u>	<u>\$ (199,990)</u>		



Newburgh Community Land Bank

Significant Written Communications
Between Management and our Firm
Year Ended June 30, 2017

Representation Letter





October 4, 2017

BST & Co. CPAs, LLP
26 Computer Drive West
Albany, New York 12205

This representation letter is provided in connection with your audit of the financial statements of the Newburgh Community Land Bank (NCLB), which comprise the statements of net position as of June 30, 2017, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on 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, that as of October 4, 2017:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated August 30, 2017, 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 the 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 those with the City of Newburgh, 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, if any.
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 Board of Directors, and committees of directors, 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 NCLB's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the 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 NCLB's financial statements received in communications from employees, former employees, analysts, regulators, or others.
16. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the 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, and we have not consulted legal counsel concerning litigation or claims.
18. We have disclosed to you the identity of the NCLB's related parties and all related-party relationships and transactions of which we are aware.
19. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the NCLB'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 Management's Discussion and Analysis 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.
22. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Compliance Considerations

23. In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:
 - a. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
 - b. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the NCLB.
 - c. Has identified and disclosed to you 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.
 - d. Has identified and disclosed to you 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.

- e. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
- f. 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.
- g. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- h. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that you report.
- i. Has a process to track the status of audit findings and recommendations.
- j. Has identified for you previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- k. Has provided views on your reported findings, conclusions, and recommendations, as well as **management's planned corrective actions, for the report.**
- l. Acknowledges its responsibilities as they relate to non-audit services performed by you, 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.

Very truly yours,

NEWBURGH COMMUNITY LAND BANK



Madeline Fletcher, Esq., Executive Director