

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MONTGOMERY, NEW YORK

AUDIT REPORT FOR THE YEAR ENDED
DECEMBER 31, 2011

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
DECEMBER 31, 2011

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Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

INDEPENDENT AUDITOR'S REPORT

Peter J. Bullis, CPA, FAFCEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA

Patrick M. Bullis, CPA
Jennifer L. Capicchioni, CPA
Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Brent T. Napoleon, CPA
Justin B. Wood, CPA

To the Members of the Board
Town of Montgomery Industrial Development Agency
110 Bracken Road
Montgomery, N.Y. 12549

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Montgomery Industrial Development Agency, as of and for the year ended December 31, 2011, which collectively comprise the IDA's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Montgomery Industrial Development Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Montgomery Industrial Development Agency as of December 31, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 6 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Montgomery Industrial Development Agency's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The (schedules of supplemental information bonds/notes and straight leases) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Nugent & Haeussler, P.C.
Montgomery, NY

May 11, 2012

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Montgomery Industrial Development Agency's (the Agency) annual financial report presents an analysis of the Agency's financial performance during the fiscal years ended December 31, 2011 and 2010. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR THE YEAR 2011

- The Agency's net assets increased by \$4,089, or 1.77% from \$230,927, to \$235,016.
- Operating revenues decreased by \$12,733, from \$23,582, to \$10,849.
- Operating expenses decreased by \$1,614, from \$8,374, to \$6,760.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts; Management's Discussion and Analysis, Basic Financial Statements and Other Required Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Agency report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statements of Net Assets include information on the Agency's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Agency creditors (liabilities). The Statements of Activities identify the Agency's revenues and expenses for the year ended December 31, 2011. This statement provides information on the Agency's operations over the past year and can be used to determine whether the Agency has operated in a surplus or deficiency. The third financial statement is the Statements of Cash Flows. This statement provides information on the Agency's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statements of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash and cash equivalents balance for the year.

FINANCIAL ANALYSIS OF THE AGENCY

The Statements of Net Assets and the Statements of Activities provide an indication of the Agency's financial condition and also indicate that the financial condition of the Agency has improved or deteriorated during the last year. The Agency's net assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates an improvement in financial condition.

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

NET ASSETS

A summary of the Agency's Statements of Net Assets is presented below.

Table 1
Statement of Net Assets

	<u>2011</u>	<u>2010</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<u>Current Assets</u>				
Cash	\$ 239,162	\$ 235,744	\$ 3,418	1.45%
Capital Assets, Net	563	710	(147)	N/A
TOTAL ASSETS	<u>239,725</u>	<u>236,454</u>	<u>3,271</u>	<u>1.38%</u>
<u>Current Liabilities</u>				
Note Payable	709	1,727	(1,018)	-58.95%
Accrued Expenses	4,000	3,800	200	5.26%
TOTAL LIABILITIES	<u>4,709</u>	<u>5,527</u>	<u>(818)</u>	<u>-14.80%</u>
<u>Net Assets</u>				
Investment in Capital Assets	(146)	(1,017)	871	-85.64%
Unrestricted Net Assets	235,162	231,944	3,218	1.39%
TOTAL NET ASSETS	<u>\$ 235,016</u>	<u>\$ 230,927</u>	<u>\$ 4,089</u>	<u>1.77%</u>

As the above table indicates, total assets increased by \$3,271. from \$236,454. to \$239,725. during the year ended December 31, 2011.

Total current liabilities reflect a decrease of \$818. from \$5,527. to \$4,709.

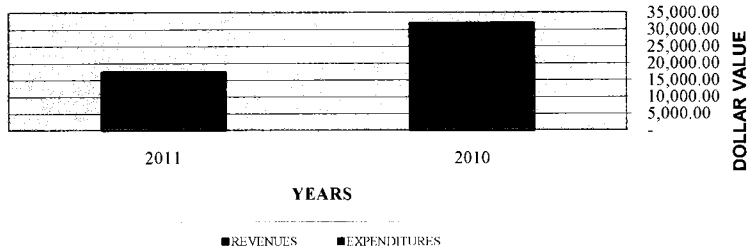
Table 2
Statement of Activities

	<u>2011</u>	<u>2010</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Use of Money and Property	\$ 10,849	\$ 23,582	\$ (12,733)	-53.99%
TOTAL REVENUES	<u>10,849</u>	<u>23,582</u>	<u>(12,733)</u>	<u>-53.99%</u>
Contractual Expenditures	\$ 6,760	\$ 8,374	\$ (1,614)	-19.27%
TOTAL EXPENDITURES	<u>6,760</u>	<u>8,374</u>	<u>(1,614)</u>	<u>-19.27%</u>

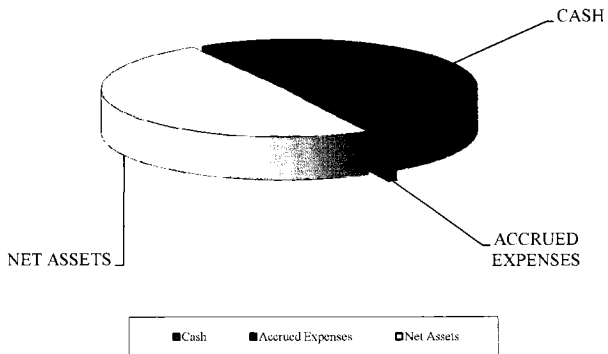
The Statements of Activities identify the various revenue and expense items which affect the change in net assets. As the information in Table 2 indicates, income decreased from \$23,582. to \$10,849.

**TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS
GRAPHS AND SCHEDULES FOR 2011 AND 2010**

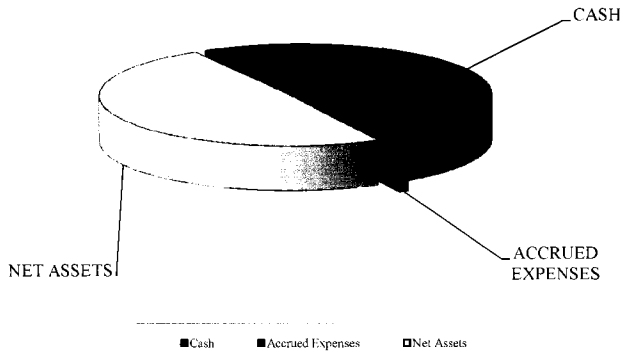
**REVENUES AND EXPENDITURES COMPARISON FOR 2011
AND 2010**



BREAKDOWN OF STATEMENT OF NET ASSETS 2011



BREAKDOWN OF STATEMENT OF NET ASSETS 2010



TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the Agency's customers, and other interested parties with an overview of the Agency's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Town of Montgomery Industrial Development Agency at 110 Bracken Road, Montgomery, New York 12549.

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MONTGOMERY, NEW YORK
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

ASSETS

Unrestricted Cash	\$	239,162
Capital Assets, Net		563
		563
TOTAL ASSETS	\$	239,725

LIABILITIES

Current Liabilities:		
Accrued Expenses	\$	4,000
Long-Term Liabilities		
Due and Payable Within One Year:		
Note Payable		709
Due and Payable More Than One Year:		
Note Payable		-
		-
TOTAL LIABILITIES		4,709

NET ASSETS

Investment in Capital Assets, Net of Related Debt		(146)
Unrestricted		235,162
		235,162
TOTAL NET ASSETS	\$	235,016

See accompanying notes to financial statements

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MONTGOMERY, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>FUNCTIONS/ PROGRAMS</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>	
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>		<u>OPERATING GRANTS</u>
Debt Service - Interest	\$ 69	\$ -	\$ -	\$ 69
IDA Operating Expenses	<u>6,691</u>	<u>-</u>	<u>-</u>	<u>6,691</u>
 TOTAL FUNCTIONS AND PROGRAMS	 <u>\$ 6,760</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 6,760</u>
 <u>GENERAL REVENUES</u>				
Fees Charged				7,465
Refund of Prior Year Expenditures				2,221
Use of Money and Property				<u>1,163</u>
 TOTAL GENERAL REVENUES				 <u>10,849</u>
 CHANGE IN NET ASSETS				 4,089
 TOTAL NET ASSETS, BEGINNING OF YEAR				 <u>230,927</u>
 TOTAL NET ASSETS, END OF YEAR				 <u>\$ 235,016</u>

See accompanying notes to financial statements

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MONTGOMERY, NEW YORK
BALANCE SHEET-GOVERNMENTAL FUND
DECEMBER 31, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 239,162
TOTAL ASSETS	<u>\$ 239,162</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts Payable	\$ -
TOTAL LIABILITIES	<u>\$ -</u>

FUND EQUITY

Fund Equity-Undesignated	\$ 239,162
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 239,162</u>

See accompanying notes to financial statements

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011

REVENUES

Fees Charged	\$ 7,465	
Use of Money and Property	1,163	
Refund of Prior Year Expenditures	2,221	
		<u>10,849</u>
TOTAL REVENUES		<u>10,849</u>

EXPENDITURES

Debt Service - Interest	69	
Debt Service - Principal	1,018	
Contractual Expenditures	6,344	
		<u>7,431</u>
TOTAL EXPENDITURES		<u>7,431</u>

EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES 3,418

FUND BALANCE, BEGINNING OF YEAR 235,744

FUND BALANCE, END OF YEAR \$ 239,162

See accompanying notes to financial statements

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOW FROM OPERATING ACTIVITIES

Increase in Net Assets		\$ 4,089
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used by) Operations:		
Depreciation	147	
Increase (Decrease) in Operating Liabilities:		
Accrued Expenses	200	
TOTAL ADJUSTMENTS		<u>347</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		4,436

CASH FLOW FROM INVESTING ACTIVITIES

Principal Payments on Long Term Debt		<u>(1,018)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		3,418
CASH, BEGINNING OF YEAR		<u>235,744</u>
CASH, END OF YEAR		<u><u>\$ 239,162</u></u>

See accompanying notes to financial statements

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MONTGOMERY, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances-governmental fund	\$	3,418
<p>When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the year they are incurred. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of \$147 exceeded capital expenditures of \$0.</p>		
		(147)
<p>Accrued expenses are recognized as an accrued liability in the entity wide statements under full accrual accounting whereas it is not under the governmental fund statements. This is the amount by which accrued expenses this year exceeded the accrued expense last year.</p>		
		(200)
<p>Repayment of debt principal is an expenditure in the governmental funds, but reduces liabilities in the Statement of Net Assets, and is not reported as an expense on the Statement of Activities and Changes in Net Assets.</p>		
		1,018
Change in net assets of governmental activities	\$	4,089

See accompanying notes to financial statements

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MONTGOMERY, NEW YORK
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

Total Fund Balances-Governmental Fund	\$	239,162
<p>Accrued expenses are recognized in the government wide statements under full accrual accounting whereas it is not under the governmental fund statements.</p>		
		(4,000)
<p>The costs of building and acquiring capital assets (land, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Assets includes those capital assets among the assets of the Agency as a whole with their original costs capitalized and depreciation expensed annually over their useful lives. The balance of Capital Assets net of accumulated depreciation at year end was \$563.</p>		
		563
<p>Long-term liabilities are reported in the Statement of Net Assets, but not in the Balance Sheet because they are not due and payable in the current period. The Notes Payable balance at year end was \$709.</p>		
		<u>(709)</u>
Total Net Assets of Governmental Activities	\$	<u><u>235,016</u></u>

See accompanying notes to financial statements

TOWN OF MONTGOMERY
 INDUSTRIAL DEVELOPMENT AGENCY
 SCHEDULE OF SUPPLEMENTAL INFORMATION
 STRAIGHT LEASE
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Home Depot</u>	<u>Fed Ex Freight East, Inc.</u>	<u>Kadge, LLC</u>	<u>Orange Truck Corp.</u>	<u>Overnite Transportation Company</u>
County	\$ 122,684	\$ 41,015	\$ 11,165	\$ 35,407	\$ 32,838
Local	273,000	112,205	18,800	102,761	91,012
School	747,150	249,785	122,272	215,630	199,985
Total Tax	\$ 1,142,834	\$ 403,005	\$ 152,237	\$ 353,798	\$ 323,835

Payments in Lieu of Taxes (PILOTS)

County	\$ 111,708	\$ 34,619	\$ 2,481	\$ 29,706	\$ 23,612
Local	210,737	104,942	8,939	90,809	51,855
School	713,728	220,568	28,968	189,591	151,822
Total PILOTS	\$ 1,036,173	\$ 360,129	\$ 40,388	\$ 310,106	\$ 227,289

Full Time Equivalent(FTE) Jobs Created and Retained

# of FTE Employees at Project Location Before IDA Statu:	*	0	*	70	0
Original Estimate of Jobs to be Created	*	150	*	230	145
Original Estimate of Jobs to be Retained	*	150	*	300	145
# of Current FTE Employees	*	118	*	77	233
# of FTE Construction Jobs Created During Fiscal Year	*	0	*	n/a	0

* Has not responded to confirmation request at this time.

See accompanying notes to financial statements.

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

A. Reporting Entity

The Industrial Development Agency of the Town of Montgomery (the “Agency”) is a body, both corporate and politic, created for the purpose of encouraging economic growth in the Town of Montgomery.

The Agency is administered by a Board of Trustees (“Board”) that acts as the authoritative and legislative body of the entity. The Board is comprised of four (4) board members who are appointed by the Town Board of the Town of Montgomery. Each Officer serves until such member dies, resigns or is replaced by resolution of the Town Board. No board members receive compensation for serving on the Board.

The Board of Trustees annually appoints the Chair(person) of the Board from existing board members. The Chair responsibilities are to preside at all meetings of the Board; be the chief officer of the Agency; perform all duties commonly incident to the position of presiding officer of a board, commission or business organization and exercise supervision over the business of the Agency.

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14, “The Financial Reporting Entity”, in that the financial statements include all organizations, activities, and functions that comprise the Agency. Component units are legally separate entities for which the Agency (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization’s governing body and either (1) the Agency’s ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Agency. Using these criteria, the Agency has no component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the IDA receives cash.

Fund Accounting

The Agency uses the general fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Agency only uses one governmental fund, the General Fund.

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Government funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The Agency reports the following major governmental funds:

General Fund - The general fund is used to account for all financial resources of the Agency except those required to be accounted for in another fund. The general fund balance is available to the Agency for any purpose provided it is expended or transferred according to the general laws of New York and the bylaws of the Agency.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each part gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year for the Agency, available means expected to be received within thirty-one days of year-end. Under the modified accrual basis, only interest is considered to be both measurable and available at year-end.

Non-exchange transactions, in which the Agency receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Agency must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Agency on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)

D. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decrease in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

E. Cash and Cash Equivalents

The Agency's investment policies are governed by State statutes. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The financial officer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, and obligations of New York State or its localities.

Collateral is suggested for demand deposits and certificates of deposit at a range of 100% or 105% of all deposits not covered by Federal deposit 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 and investments at year-end totaling \$239,162. were entirely covered by FDIC insurance or by collateral.

It is the Agency's policy to invest all extra cash into demand deposits and certificates of deposit.

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)

F. Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Agency legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2. LONG-TERM DEBT

Long-Term debt at December 31, 2011, consisted of the following:

<u>Holder</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
a. Walden Federal	<u>\$ 709</u>	<u>\$ -</u>	<u>\$ 709</u>

- a. Loan payable to Walden Federal Savings and Loan Association for the purchase of a computer. Monthly installments are \$90.59, including interest at 5.50%. Loan matures 9/1/2012.

Maturities of long-term debt are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2012	<u>709</u>	<u>15</u>
Total	<u>\$ 709</u>	<u>\$ 15</u>



Nugent & Haeussler, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

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

Peter J. Bullis, CPA, FAFCEI, DABFA
Norman M. Sassi, CPA
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Gary C. Theodore, CPA
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Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA

Patrick M. Bullis, CPA
Jennifer L. Capicchioni, CPA
Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Brent T. Napoleon, CPA
Justin B. Wood, CPA

To the Members of the Board
Town of Montgomery Industrial Development Agency
110 Bracken Road
Montgomery, N.Y. 12549

We have audited the financial statements of the Town of Montgomery IDA as of and for the year ended December 31, 2011, and have issued our report thereon dated May 11, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the Town of Montgomery IDA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Montgomery IDA's internal control over financial reporting as a basis for designing our auditing procedures 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 Town of Montgomery IDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Montgomery IDA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weaknesses. This material weakness is described as 2011-01.

A *significant deficiency* is a 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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. This significant deficiency is described as 2011-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Montgomery IDA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, 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*.

We noted certain matters that we reported to the management of Town of Montgomery IDA in a separate letter dated May 11, 2012.

The Town of Montgomery IDA's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town of Montgomery IDA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



May 11, 2012

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses

Yes No

Noncompliance material to financial statements noted?

Yes No

SECTION II FINANCIAL STATEMENT FINDINGS

Finding 2011-01 Limited Segregation of Duties

Condition: The auditor found instances where segregation of duties was limited. Limitations in control activities may be addressed through additional management oversight. Through interviews with management and staff we were able to satisfy ourselves that direct involvement and knowledge of these activities reduced the potential for errors or irregularities.

Criteria: Segregation of duties relates to how various duties are assigned to different people within the organization. Generally, the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets should be assigned to different people so that no single person is in a position to both commit and conceal errors, irregularities or fraud.

Cause: Limited resources and personnel available contribute directly to the level of segregation achieved. Another factor is the organizational structure and the assignment of responsibilities within that structure.

Effect: The financial statements could have been significantly misstated due to errors or irregularities and fraud or misappropriation could occur and not be detected without adequate segregation of duties and responsibilities.

Recommendation: We recommend that the management review the responsibilities of business staff, as well as the duties actually being performed currently. This review should focus on segregating the functions for authorizing transactions, recording transactions, and maintaining custody of assets. As part of this review, management should consider whether the current staffing level is sufficient to achieve the desired internal control. It may be necessary to hire additional staff.

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

SECTION II FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2011-02 Preparing Financial Statements and Disclosures

Condition: The auditor is currently making significant adjustments to properly record certain complex transactions and preparing the financial statements for external reporting purposes.

Criteria: The auditor cannot function as part of the Town's internal control system over financial reporting. The auditor's preparation of the financial statements and disclosures would not be reported as a significant deficiency if the Town had internal controls in place to prevent, detect, and correct a potential misstatement in the financial statements or notes.

Cause: Newly revised audit standards state that if the Town does not implement procedures to prevent, detect, or correct a potential misstatement in the financial statements or notes, this deficiency constitutes a significant deficiency in internal control. The Town relies on the external auditor to prepare the financial statements and related disclosures, and to assist with properly recording certain transactions.

Effect: The financial statements could have been significantly misstated without audit adjustment.

Recommendation: Although the independent auditor cannot be a part of the Town's internal control, relying on the auditor to assist with preparation of the Town's financial statements and help guide management through complex accounting standards is acceptable under current prescribed standards.

Management has not completed a response to the above findings, as of the date of this audit report. Government Auditing Standards requires management's responses and planned corrective action to be included in this report.