TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MONTGOMERY, NEW YORK

AUDIT REPORT FOR THE YEAR ENDED
DECEMBER 31, 2014

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
DECEMBER 31, 2014

TABLE OF CONTENTS

SCHEDULE NUMBER	SCHEDULES	PAGE
	Independent Auditor's Report	1-2
	Management Discussion and Analysis	3-6
1	Statement of Net Position	7
2	Statement of Activities	8
3	Balance Sheet - Governmental Fund	9
4	Statement of Revenues, Expenses and Changes in Fund Equity - Governmental Fund	10
5	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Equity to the Statement of Activities	11
6	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
7	Schedule of Supplemental Information - Straight Leases	13
	Notes to Financial Statements	14-18
	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*	19-20
	Schedule of Findings and Responses	21-22

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

Peter J. Bullis, CPA, FACFEI, 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
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA

Patrick M. Bullis, CPA
Walter J. Jung, CPA
Justin B. Wood, CPA

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Town of Montgomery Industrial Development Agency
Montgomery, New York 12549

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Town of Montgomery Industrial Development Agency, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the IDA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United Stated of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

MEMBERS: NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS • AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Auditor's Responsibility (Cont.)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Montgomery Industrial Development Agency as of December 31, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 May 12, 2015 on our consideration of the Town of Montgomery IDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Town of Montgomery IDA's internal control over financial reporting and compliance.

Nugent + Haeussler, P.C.

Montgomery, New York
May 12, 2015

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, 2014 and 2013. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR THE YEAR 2014

The Agency's net position increased by $278,719. or 102.4% from $272,180. to $550,899.

Operating revenues increased by $245,265. from $40,016. to $285,281.

Operating expenses decreased by $82. from $6,644. to $6,562.

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 Position 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, 2014. 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 Position 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 position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

NET POSITION

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

Table 1
Statement of Net Position

	2014	2013	Dollar Change	Percentage Change
Current Assets				
Cash	$ 554,977	$ 276,111	$ 278,866	101.00%
Capital Assets, Net	122	269	(147)	-54.65%
TOTAL ASSETS	$ 555,099	$ 276,380	$ 278,719	100.85%
Current Liabilities				
Accrued Expenses	4,200	4,200	-	0.00%
TOTAL LIABILITIES	4,200	4,200	-	0.00%
Net Position				
Investment in Capital Assets	122	269	(147)	-54.65%
Unrestricted Net Position	550,777	271,911	278,866	102.56%
TOTAL NET POSITION	$ 550,899	$ 272,180	$ 278,719	102.40%

As the above table indicates, total assets increased by $278,719. from $276,380. to $550,099. during the year ended December 31, 2014.

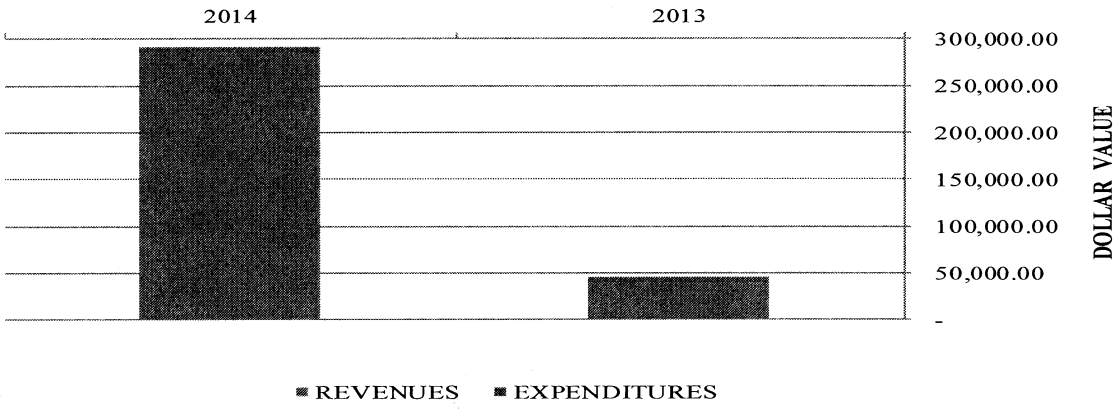
Total current liabilities remained consistent with the previous years' amount of $4,200.

Table 2
Statement of Activities

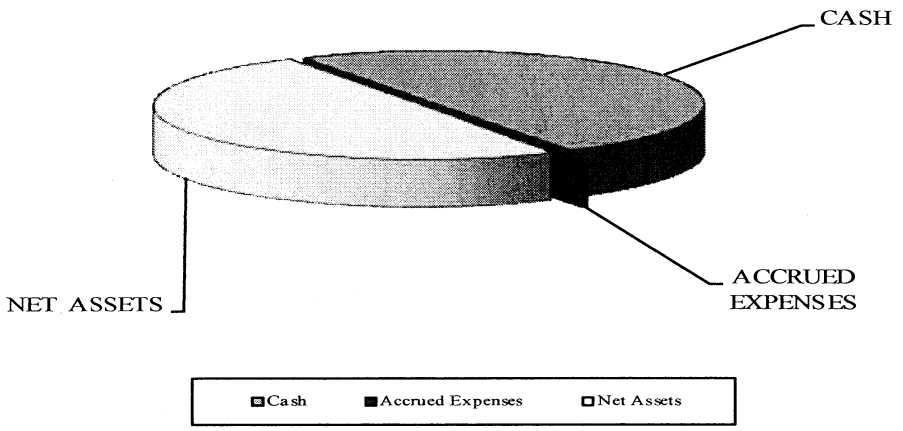
	2014	2013	Dollar Change	Percentage Change
TOTAL REVENUES	$ 285,281	$ 40,016	$ 245,265	612.92%
TOTAL EXPENDITURES	$ 6,562	$ 6,644	$ (82)	-1.23%

The Statements of Activities identify the various revenue and expense items which affect the change in net position. As the information in Table 2 indicates, revenues increased from $40,016. to $285,281. and expenditures decreased from $6,644. to $6,562.

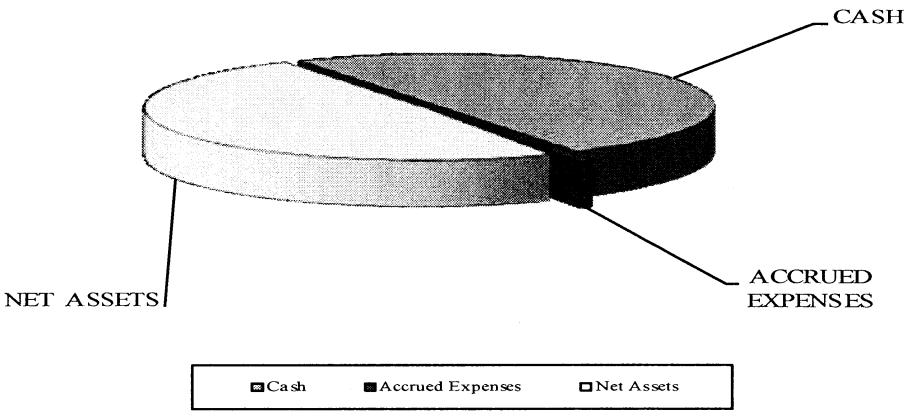
REVENUES AND EXPENDITURES COMPARISON FOR 2014 AND 2013



BREAKDOWN OF STATEMENT OF NET POSITION 2014



BREAKDOWN OF STATEMENT OF NET POSITION 2013



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.

SCHEDULE # 1

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MONTGOMERY, NEW YORK
STATEMENT OF NET POSITION
DECEMBER 31, 2014

ASSETS		
Unrestricted Cash	$	554,977
Capital Assets, Net		122
TOTAL ASSETS	$	555,099
LIABILITIES		
Accrued Expenses	$	4,200
TOTAL LIABILITIES		4,200
NET POSITION		
Investment in Capital Assets, Net of Related Debt		122
Unrestricted		550,777
TOTAL NET POSITION	$	550,899

See accompanying notes to financial statements

SCHEDULE # 2

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MONTGOMERY, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

FUNCTIONS/ PROGRAMS	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	PROGRAM REVENUES OPERATING GRANTS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
IDA Operating Expenses	$ 6,562	$ -	$ -	$ 6,562
TOTAL FUNCTIONS AND PROGRAMS	$ 6,562	$ -	$ -	$ 6,562
GENERAL REVENUES				
Fees Charged				284,020
Use of Money and Property				1,261
TOTAL GENERAL REVENUES				285,281
CHANGE IN NET POSITION				278,719
TOTAL NET POSITION, BEGINNING OF YEAR				272,180
TOTAL NET POSITION, END OF YEAR				$ 550,899

See accompanying notes to financial statements

SCHEDULE # 3

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MONTGOMERY, NEW YORK
BALANCE SHEET-GOVERNMENTAL FUND
DECEMBER 31, 2014

ASSETS

CURRENT ASSETS	
Cash	554,977
TOTAL ASSETS	$ 554,977

LIABILITIES AND FUND EQUITY

LIABILITIES	
Accounts Payable	$ 4,200
TOTAL LIABILITIES	$ 4,200
FUND EQUITY	
Unassigned	$ 550,777
TOTAL LIABILITIES AND FUND EQUITY	$ 554,977

See accompanying notes to financial statements

SCHEDULE #

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUES		
Fees Charged	$ 284,020	
Use of Money and Property	$ 1,261	
TOTAL REVENUES		285,281
EXPENDITURES		
Debt Service - Interest	0	
Debt Service - Principal	0	
Contractual Expenditures	6,416	
TOTAL EXPENDITURES		6,416
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES		278,865
FUND EQUITY, BEGINNING OF YEAR		271,912
FUND EQUITY, END OF YEAR		$ 550,777

See accompanying notes to financial statements

SCHEDULE # 5

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, 2014

Net change in fund balances-governmental fund	$	278,865
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 hey 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.		(147)
Change in net position of governmental activities	$	278,718

See accompanying notes to financial statements

SCHEDULE # 6

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
MONTGOMERY, NEW YORK
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Total Fund Balances-Governmental Fund	$	550,777
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 Position 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 $122.		122
Total Net Position of Governmental Activities	$	550,899

See accompanying notes to financial statements

SCHEDULE # 8

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF SUPPLEMENTAL INFORMATION
STRAIGHT LEASE
FOR THE YEAR ENDED DECEMBER 31, 2014

	Fed Ex Freight East, Inc.	Kadge, LLC	Orange Truck Corp.	UPS Ground Freight	Hudson Heritage Federal Credit Union	Spruce Properties, LLC	United Natural Foods, Inc	Goodwill Properties
Real Property Tax								
County	$ 43,949	$ 19,075	$ 17,108	$ 35,187	$ 4,220	$ 7,578	$ -	$ -
Local	83,988	32,540	36,654	64,672	6,284	13,489	-	-
School	274,092	118,963	106,694	219,446	26,321	24,180	899,651	115,602
Total Tax	$ 402,029	$ 170,578	$ 160,456	$ 319,305	$ 36,826	$ 45,247	899,651	$ 115,602
Payments in Lieu of Taxes (PILOTS)								
County	$ 42,235	$ 2,659	$ 16,622	$ 29,537	$ 2,533	$ 1,447	$ -	$ -
Local	81,931	12,836	36,071	57,891	4,259	6,129	-	-
School	274,092	16,580	106,694	193,021	16,967	9,024	153,848	9,672
Total PILOTS	$ 398,258	$ 32,075	$ 159,387	$ 280,449	$ 23,759	$ 16,601	$ 153,848	$ 9,672
Full Time Equivalent(FTE) Jobs Created and Retained								
# of FTE Employees at Project Location Before IDA Status	*	*	70	*	4	^	*	0
Original Estimate of Jobs to be Created	*	*	230	*	2	^	*	23
Original Estimate of Jobs to be Retained	*	*	300	*	7	^	*	23
# of Current FTE Employees	*	*	78	*	4	^	*	20
# of FTE Construction Jobs Created During Fiscal Year	*	*	0	*	0	^	*	0

* Has not responded to confirmation request at this time.
^ Information not available at this time.

See accompanying notes to financial statements.

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 seven (7) 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 position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

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.

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.

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 position 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 $554,977. are 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.

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

F. Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is 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.

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

Peter J. Bullis, CPA, FACFEI, 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
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA

Patrick M. Bullis, CPA
Walter J. Jung, CPA
Justin B. Wood, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Town of Montgomery IDA, as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise Town of Montgomery IDA's basic financial statements and have issued our report thereon dated May 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Montgomery IDA'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Montgomery IDA's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Montgomery IDA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency, identified as finding 2014-1.

MEMBERS: NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS • AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Montgomery IDA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Town of Montgomery IDA's Response to Findings

Town of Montgomery IDA's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Town of Montgomery IDA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Nugent + Haeussler, P.C.

Montgomery, New York
May 12, 2015

TOWN OF MONTGOMERY
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014

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	_X_ No
Significant deficiencies identified that are not considered to be material weaknesses	_X_ Yes	____ No
Noncompliance material to financial statements noted?	____ Yes	_X_ No

SECTION II FINANCIAL STATEMENT FINDINGS

Finding 2014-01 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, 2014

SECTION II FINANCIAL STATEMENT FINDINGS (Continued)

Management has not completed a response to the above finding, 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.