

**TOWN OF WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

**TOWN OF WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
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DECEMBER 31, 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

To the Chairman and
Members of the Board
Town of Wallkill Industrial Development Agency
Middletown, New York 10940

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Town of Wallkill, New York Industrial Development Agency ("Agency"), a component unit of the Town of Wallkill, New York, as of December 31, 2015 and 2014, and the related notes to the financial statements which collectively comprise the Agency'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 States 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 fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of 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.

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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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Town of Wallkill, New York Industrial Development Agency, as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 and 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to 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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wallkill Industrial Development Agency's financial statements. The Schedule of Supplemental Information on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Supplemental Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2016 on our consideration of the Town of Wallkill Industrial Development Agency's internal control over financial reporting and 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 an audit performed in accordance with *Government Auditing Standards* in considering Town of Wallkill Industrial Development Agency's internal control over financial reporting and compliance.

Sedall & Company, CPA's

Poughkeepsie, New York
March 30, 2016

**INDEPENDENT AUDITORS' 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**

To the Chairman and
Members of the Board
Town of Wallkill Industrial Development Agency
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 business-type activities of the Town of Wallkill, New York Industrial Development Agency (the "Agency"), a component unit of the Town of Wallkill, New York, as of and for the years ended December 31, 2015 and 2014, 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 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Wallkill, New York Industrial 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 Town of Wallkill, New York Industrial 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 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.

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Our consideration of the internal control was for the limited purpose described in the first paragraph of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Wallkill Industrial 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 an instance of noncompliance as reported in the accompanying schedule of Findings, Recommendations and Response (Finding 2).

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

Sedall & Company, CPA's

Poughkeepsie, New York
March 30, 2016

**TOWN OF WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2015 AND 2014**

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 Town of Wallkill Industrial Development Agency for the year ended December 31, 2015 and 2014, as mandated by GASB #34. This information should be reviewed in conjunction with the audited financial statements of the Agency.

FINANCIAL OPERATIONS HIGHLIGHTS

There was a decrease in Net Position in 2015 of \$16,813.

Interest earnings increased in 2015 by \$454. This was due to timing of payments differing from prior year, leaving cash in bank accounts for a longer period of time, thus accruing more interest.

Operating expenses increased by \$15,796 in 2015. This was due to increased consultation with legal counsel regarding matters related to the IDA and one of its projects.

SUMMARY OF OPERATIONS

	<u>2015</u>	<u>2014</u>
<u>REVENUES:</u>		
Interest Earnings	\$ 911	\$ 457
Total Revenues	<u>911</u>	<u>457</u>
<u>EXPENSES:</u>		
Operating Expenses	<u>17,724</u>	<u>1,928</u>
Total Expenses	<u>17,724</u>	<u>1,928</u>
<u>CHANGE IN (NET POSITION):</u>	<u>\$ (16,813)</u>	<u>\$ (1,471)</u>

**TOWN OF WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), Continued
DECEMBER 31, 2015 AND 2014**

FINANCIAL POSITION SUMMARY

Net Assets serve as an indicator of the Agency's financial position. The Agency has a Net Position deficit of \$26,102. The Agency continues to pay expenses for professional fees and the Agency's only income, for the past few years, has been interest earned on the cash account. As expenses continue to exceed revenue, a decline in the Net Position balance will continue.

(NET POSITION) AT DECEMBER 31, 2015

	2015	2014
Total Assets	\$ 180,057	\$ 191,934
Total Liabilities	\$ 4,936	\$ -
Total Deferred Inflows of Resources	201,223	201,223
(Net Position)	(26,102)	(9,289)
Total Liabilities, Deferred Inflows Of Resources and (Net Position)	\$ 180,057	\$ 191,934

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 an enterprise fund.

**TOWN OF WALKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF (NET POSITION)
DECEMBER 31, 2015 AND 2014**

	2015	2014
Assets:		
Cash and Cash Equivalents	\$ 180,057	\$ 191,934
Total Assets	\$ 180,057	\$ 191,934
 Liabilities:		
Accounts Payable	\$ 4,936	\$ -
Total Liabilities	4,936	-
 Deferred Inflows of Resources	201,223	201,223
Unrestricted (Net Position)	(26,102)	(9,289)
Total (Net Position)	(26,102)	(9,289)
 Total Deferred Inflows of Resources and (Net Position)	\$ 180,057	\$ 191,934

**TOWN OF WALKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN (NET POSITION)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Operating Revenues:	<u>2015</u>	<u>2014</u>
Administrative Fees - PILOT Agreements	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses:		
Professional Fees	<u>17,724</u>	<u>1,928</u>
Operating Loss	<u>(17,724)</u>	<u>(1,928)</u>
Non-Operating Revenues:		
Interest Income	<u>911</u>	<u>457</u>
Net Non-Operating Revenue	<u>911</u>	<u>457</u>
Change in (Net Position)	(16,813)	(1,471)
(Net Position), January 1,	<u>(9,289)</u>	<u>(7,818)</u>
(Net Position), December 31,	<u><u>\$ (26,102)</u></u>	<u><u>\$ (9,289)</u></u>

**TOWN OF WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash Received from Providing Services	\$ -	\$ -
Cash Payments Contractual Expenses	<u>(12,788)</u>	<u>(1,928)</u>
Net Cash Used by Operating Activities	<u>(12,788)</u>	<u>(1,928)</u>
Cash Flows from Investing Activities:		
Interest Income	<u>911</u>	<u>457</u>
Net Cash Provided by Investing Activities	<u>911</u>	<u>457</u>
Net Decrease in Cash and Cash Equivalents	(11,877)	(1,471)
Cash and Cash Equivalents, January 1,	<u>191,934</u>	<u>193,405</u>
Cash and Cash Equivalents, December 31,	<u>\$ 180,057</u>	<u>\$ 191,934</u>
Reconciliation of operating (loss) to net cash used by operating activities		
Operating Loss	\$ (17,724)	\$ (1,928)
Change in Accounts Payable	<u>4,936</u>	<u>-</u>
Net Cash Used by Operating Activities	<u>\$ (12,788)</u>	<u>\$ (1,928)</u>

**TOWN OF WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. Summary of Significant Accounting Policies

Organization and Purpose:

The Town of Wallkill, New York Industrial Development Agency (the "Agency") is a public benefit corporation established under Section 856 of the New York State Industrial Development Agency Act of the State of New York and Chapter 73 of the Laws of 1970 of the State. The Agency was established to encourage economic growth within the Town of Wallkill, New York. The Agency is governed by a board of five members.

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, some of which are as follows:

The Reporting Entity

The Agency is considered a component unit of the financial reporting entity known as the Town of Wallkill. Inclusion in the financial reporting entity, the Town of Wallkill, is determined based on financial accountability as defined by GASB Statement No. 14, "The Financial Reporting Entity". The Town of Wallkill Town Board appoints all of the Agency's Board Members. This level of control meets the criteria for financial accountability as defined by GASB Statement No. 14, as amended.

Proprietary Fund Accounting

Basis of Accounting and Measurement Focus

As described above, the Agency performs the facilitating economic development in the Town of Wallkill, primarily by issuing tax-exempt debt. Its operations are financed primarily by the Town of Wallkill by providing use of Town staff and facilities. Under standards set by the GASB, the Agency is considered an enterprise fund, a type of proprietary fund. Proprietary fund financial statements are prepared on the accrual basis of accounting, which records the financial effects on an enterprise of transactions and other events when these transactions and events occur. The measurement focus is the flow of economic resources. This basis differs from that used by governmental funds in that the effects of transactions in government funds are recorded when revenues are measurable and available and when expenditures are incurred. The measurement focus is the flow of current transactions.

**TOWN OF WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014**

1. Summary of Significant Accounting Policies (Cont'd.)

Income Taxes

The Agency is exempt from federal, state and local income taxes.

Cash, Cash Equivalents and Investments

State statutes govern the Agency's investment policies. Agency monies must be deposited in Federal Deposit Insurance Corporation insured commercial banks or trust companies located within the State of New York. The Agency 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 and its localities.

Collateral is required for demand deposits and certificates of deposit 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. The Agency's cash was covered in full by FDIC insurance.

For purposes of the Statement 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 equivalents.

Industrial Revenue Bond and Note Transactions

Certain revenue bonds and notes authorized by the Agency and issued through various lending institutions are considered special obligations of the Agency. They are secured by property, which is leased to private companies and educational institutions and are usually retired by the related lease payments. The bonds and notes are not guaranteed by the Agency, or by the Town of Wallkill. Recourse by the lending institutions and ultimate bondholders is limited to the collateralized properties and related lease revenues. Therefore, the Agency does not record the assets and liabilities, resulting from completed bond and note issues in its financial statements since its primary function is to arrange the financing between the borrowers and the bond and note holders, and funds arising there from are normally controlled by trustees or banks acting as fiscal agents.

**TOWN OF WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014**

1. Summary of Significant Accounting Policies (Cont'd.)

Risk Management

Risk management activities are limited to being listed as an additional insured on properties covered by payment in lieu of tax (PILOT) agreements. The Agency's management believes it has limited exposure for loss as its sole asset is cash and it has no employees. Tax assessment disputes are litigated by the taxing authorities with no financial effect on the Agency.

Use of Estimates

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

Subsequent Events

The Agency evaluated subsequent events for disclosure and/or recognition in the financial statements from December 31, 2015 through March 30, 2016, the date on which the financial statements were available to be issued.

2. New Reporting Standards

GASB has issued Statements 69-80, none of which are expected to have any substantial effects on the Agency's net position.

OTHER SUPPLEMENTAL INFORMATION

**TOWN OF WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

	PROJECTS		
	3308-5 PCM Dev Corp	3308-1 Walkill Living Center	3308-2 Tetz Asphalt, LLC
Real Property Tax Exemptions:			
County	\$ 896,496	\$ -	\$ -
Local	1,097,658	111,810	1,847
School	5,255,188	-	14,590
TOTAL	\$ 7,249,342	\$ 111,810	\$ 16,437
Payments in Lieu of Taxes (PILOTS):			
County	\$ 896,496	\$ -	\$ -
Local	1,097,658	111,810	1,847
School	5,255,188	-	14,590
TOTAL	\$ 7,249,342	\$ 111,810	\$ 16,437
Number of Current FTE Employees- Unaudited*	1,075	12	100

* - 2015 numbers unavailable at the time of report issuance, these are 2013 amounts carried forward

**TOWN OF WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSE
DECEMBER 31, 2015**

OTHER MATTERS:

CURRENT YEAR FINDING:

Finding 2:

As part of our audit, we noted that the Agency did not calculate the Full-Time Equivalent employees resulting from the PILOT programs that the Agency administers. The Agency is required to report FTE data upon filing of the PARIS report for that year's data.

Potential Effect:

The Agency's non-compliance could lead to a de-authorization of the Agency by the NYS Authority Budget Office for the Agency.

Recommendation:

We recommend that the Agency review the FTE data annually to ensure accurate reporting on the year-end PARIS report.

Response:

The Agency will make every effort to obtain the required FTE equivalent information.

STATUS OF PRIOR YEAR FINDING:

Satisfied/No longer applicable:

Financial Statement Finding:

Other matters, Finding #1