

TOWN OF MONTGOMERY  
INDUSTRIAL DEVELOPMENT AGENCY  
MONTGOMERY, NEW YORK

AUDIT REPORT FOR THE YEAR ENDED  
DECEMBER 31, 2010

TOWN OF MONTGOMERY  
INDUSTRIAL DEVELOPMENT AGENCY  
DECEMBER 31, 2010

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## INDEPENDENT AUDITOR'S REPORT

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

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— CONSULTANT —  
Randy E. Bullis, CPA

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, 2010, 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, 2010, 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.*

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NUGENT & HAEUSSLER, P.C.

Montgomery, NY

June 30, 2011

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, 2010 and 2009. This information is presented in conjunction with the audited basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS FOR THE YEAR 2010**

- The Agency's net assets increased by \$15,208. or 7% from \$215,719. to \$230,927.
- Operating revenues decreased by \$29,025. from \$52,607. to \$23,582.
- Operating expenses increased by \$4,310. from \$4,064. to \$8,374.

**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, 2010. 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>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<u>Current Assets</u>				
Cash	\$ 235,744	\$ 222,209	\$ 13,535	6.09%
Capital Assets, Net	710	-	710	N/A
<b>TOTAL ASSETS</b>	<u>236,454</u>	<u>222,209</u>	<u>14,245</u>	<u>6.41%</u>
<u>Current Liabilities</u>				
Note Payable	1,727	2,690	(963)	-35.80%
Accrued Expenses	<u>3,800</u>	<u>3,800</u>	<u>-</u>	<u>0.00%</u>
<b>TOTAL LIABILITIES</b>	<u>5,527</u>	<u>6,490</u>	<u>(963)</u>	<u>-14.84%</u>
<u>Net Assets</u>				
Investment in Capital Assets	(1,017)	(2,690)	1,673	-62.19%
Unrestricted Net Assets	<u>231,944</u>	<u>218,409</u>	<u>13,535</u>	<u>6.20%</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 230,927</u>	<u>\$ 215,719</u>	<u>\$ 15,208</u>	<u>7.05%</u>

As the above table indicates, total assets increased by \$14,245. from \$222,209. to \$236,454. during the year ended December 31, 2010.

Total current liabilities reflect a decrease of \$963. from \$6,490. to \$5,527.

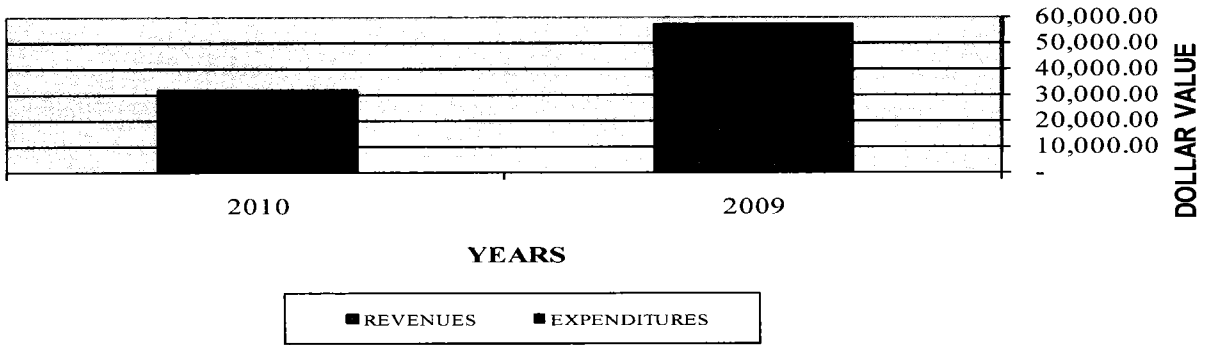
Table 2  
Statement of Activities

	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Use of Money and Property	\$ 23,582	\$ 52,607	\$ (29,025)	-55.17%
<b>TOTAL REVENUES</b>	<u>\$ 23,582</u>	<u>\$ 52,607</u>	<u>\$ (29,025)</u>	<u>-55.17%</u>
Contractual Expenditures	\$ 8,374	\$ 4,064	\$ 4,310	106.05%
<b>TOTAL EXPENDITURES</b>	<u>\$ 8,374</u>	<u>\$ 4,064</u>	<u>\$ 4,310</u>	<u>106.05%</u>

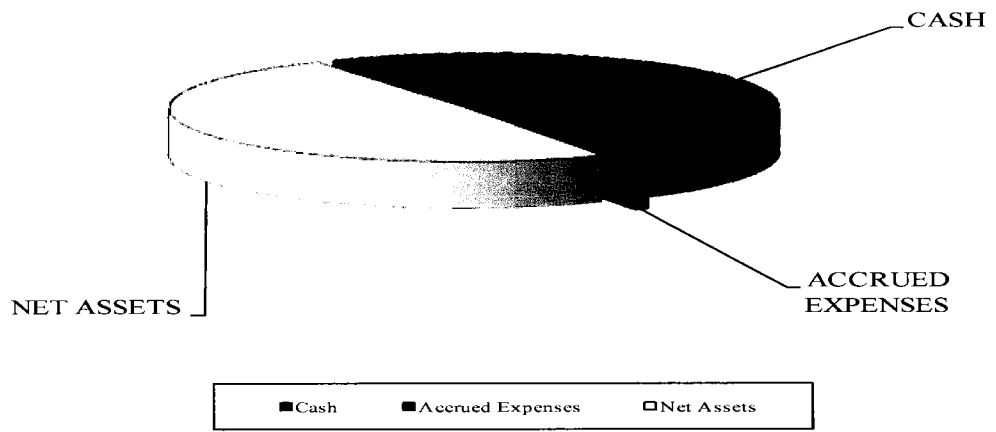
The Statements of Activities identify the various revenue and expense items which affect the change in net assets. As the information in Table 2 indicates, income decreased from \$52,607. to \$23,582.

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

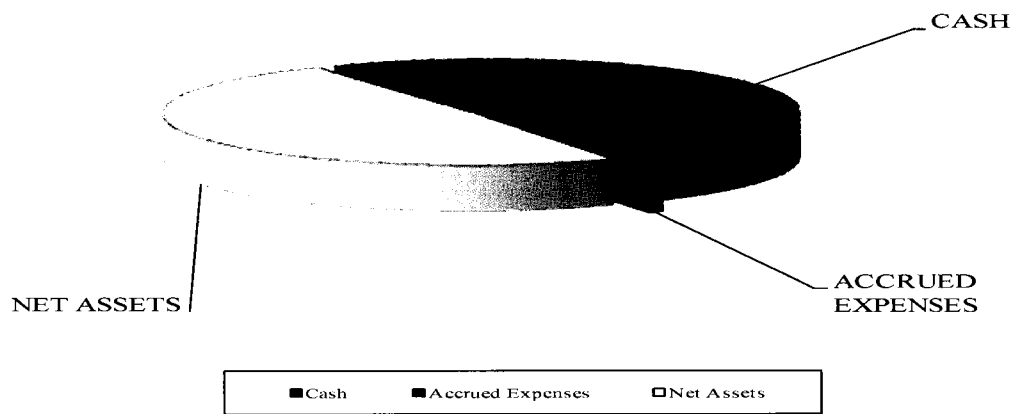
**REVENUES AND EXPENDITURES COMPARISON FOR 2010  
AND 2009**



**BREAKDOWN OF STATEMENT OF NET ASSETS  
2010**



**BREAKDOWN OF STATEMENT OF NET ASSETS  
2009**



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.

SCHEDULE # 1

TOWN OF MONTGOMERY  
INDUSTRIAL DEVELOPMENT AGENCY  
MONTGOMERY, NEW YORK  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2010

ASSETS

Unrestricted Cash	\$	235,744
Capital Assets, Net		710
		710
TOTAL ASSETS	\$	236,454

LIABILITIES

Current Liabilities:		
Accrued Expenses	\$	3,800
Long-Term Liabilities		
Due and Payable Within One Year:		
Note Payable		1,018
Due and Payable More Than One Year:		
Note Payable		709
		709
TOTAL LIABILITIES		5,527

NET ASSETS

Investment in Capital Assets, Net of Related Debt		(1,017)
Unrestricted		231,944
		231,944
TOTAL NET ASSETS	\$	230,927

See accompanying notes to financial statements

TOWN OF MONTGOMERY  
INDUSTRIAL DEVELOPMENT AGENCY  
MONTGOMERY, NEW YORK  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>FUNCTIONS/ PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	
Debt Service - Interest	\$ 124	\$ -	\$ -	\$ 124
IDA Operating Expenses	<u>8,250</u>	<u>-</u>	<u>-</u>	<u>8,250</u>
 TOTAL FUNCTIONS AND PROGRAMS	 <u>\$ 8,374</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 8,374</u>
 <u>GENERAL REVENUES</u>				
Fees Charged				21,786
Use of Money and Property				<u>1,796</u>
 TOTAL GENERAL REVENUES				 <u>23,582</u>
 CHANGE IN NET ASSETS				 15,208
 TOTAL NET ASSETS, BEGINNING OF YEAR				 <u>215,719</u>
 TOTAL NET ASSETS, END OF YEAR				 <u>\$ 230,927</u>

See accompanying notes to financial statements

TOWN OF MONTGOMERY  
INDUSTRIAL DEVELOPMENT AGENCY  
MONTGOMERY, NEW YORK  
BALANCE SHEET-GOVERNMENTAL FUND  
DECEMBER 31, 2010

ASSETS

CURRENT ASSETS

Cash	\$ 235,744
	<hr/>
TOTAL ASSETS	\$ 235,744
	<hr/> <hr/>

LIABILITIES AND FUND EQUITY

LIABILITIES

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

FUND EQUITY

Fund Equity-Undesignated	\$ 235,744
	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	\$ 235,744
	<hr/> <hr/>

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, 2010

REVENUES

Fees Charged	\$ 21,786
Use of Money and Property	<u>1,796</u>
 TOTAL REVENUES	 <u>23,582</u>

EXPENDITURES

Debt Service - Interest	124
Debt Service - Principal	963
Contractual Expenditures	<u>8,960</u>
 TOTAL EXPENDITURES	 <u>10,047</u>

EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	13,535
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FUND BALANCE, BEGINNING OF YEAR	<u>222,209</u>
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FUND BALANCE, END OF YEAR	<u><u>\$ 235,744</u></u>
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See accompanying notes to financial statements

TOWN OF MONTGOMERY  
INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOW FROM OPERATING ACTIVITIES

Increase in Net Assets		\$	15,208
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used by) Operations:			
Depreciation			25
NET CASH PROVIDED BY OPERATING ACTIVITIES			15,233

CASH FLOW FROM INVESTING ACTIVITIES

Payments for the Purchase of Property & Equipment	(735)		
Principal Payments on Long Term Debt	(963)		(1,698)
CASH, BEGINNING OF YEAR			222,209
CASH, END OF YEAR		\$	235,744

See accomapnying 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, 2010

Net change in fund balances-governmental fund	\$ 13,535
<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 capital expenditures of \$735. exceeded depreciation expense of \$25.</p>	
	710
<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>	963
Change in net assets of governmental activities	\$ 15,208

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, 2010

Total Fund Balances-Governmental Fund	\$	235,744
<p>Accrued expenses are recognized in the government wide statements under full accrual accounting whereas it is not under the governmental fund statements.</p>		
		(3,800)
<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 capital expenditures of \$735. exceeded depreciation expense of \$25.</p>		
		710
<p>Long-term liabilities are reported in the Statement of Net Assets, but not in the governmental funds, because they are not due and payable in the current period. The balance at year-end was:</p>		
		(1,727)
Total Net Assets of Governmental Activities	\$	230,927

See accompanying notes to financial statements

TOWN OF MONTGOMERY  
INDUSTRIAL DEVELOPMENT AGENCY  
SCHEDULE OF SUPPLEMENTAL INFORMATION  
STRAIGHT LEASE  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Home Depot</u>	<u>Fed Ex Freight East, Inc.</u>	<u>Kadec, LLC</u>	<u>Orange Truck Corp.</u>	<u>Overnite Transportation Company</u>
County	\$ 111,708	\$ 34,619	\$ 2,481	\$ 29,706	\$ 23,612
Local	210,737	104,941	8,939	90,809	51,855
School	646,500	200,353	14,359	171,921	136,650
Total Exemptions	\$ 968,945	\$ 339,913	\$ 25,779	\$ 292,436	\$ 212,117

Payments in Lieu of Taxes (PILOTS)

County	\$ 111,708	\$ 34,619	\$ 2,481	\$ 29,706	\$ 23,612
Local	210,737	104,941	8,939	90,809	51,855
School	646,500	200,353	14,359	171,921	136,650
Total PILOTS	\$ 968,945	\$ 339,913	\$ 25,779	\$ 292,436	\$ 212,117

Full Time Equivalent(FTE) Jobs Created and Retained

# of FTE Employees at Project Location Before IDA Status	*	0	0	70	0
Original Estimate of Jobs to be Created	*	150	8	230	145
Original Estimate of Jobs to be Retained	*	150	36	300	145
# of Current FTE Employees	*	162	36	76	219
# of FTE Constuction Jobs Created During Fiscal Year	*	0	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

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

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

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

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. The Agency does not possess any capital assets as of December 31, 2010.

*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 \$235,744 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

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, 2010, consisted of the following:

<u>Holder</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
a. Walden Federal	<u>\$ 1,018</u>	<u>\$ 709</u>	<u>\$ 1,727</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>
2011	1,018	74
2012	709	261
Total	<u>\$ 1,727</u>	<u>\$ 335</u>



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Jennifer L. Rowe, CPA  
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— CONSULTANT —  
Randy E. Bullis, CPA

June 30, 2011

To the Board of Directors  
Town of Montgomery IDA  
Montgomery, New York 12549

We have audited the financial statements of Town of Montgomery IDA for the year ended December 31, 2010, and have issued our report thereon dated June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 20, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Montgomery IDA are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

*Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 30, 2011.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Information in Documents Containing Audited Financial Statements*

This information is intended solely for the use of Audit Committee, Board of Directors, and management of Town of Montgomery IDA and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



NUGENT & HAEUSSLER, P.C.



# Nugent & Haeussler, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
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June 30, 2011

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Jennifer L. Rowe, CPA  
Justin B. Wood, CPA

— CONSULTANT —  
Randy E. Bullis, CPA

To the Board of Directors  
Town of Montgomery IDA  
Montgomery, New York 12549

In planning and performing our audit of the financial statements of Town of Montgomery IDA, Inc. as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Town of Montgomery IDA, Inc.'s internal control over financial reporting (internal control) 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control 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 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 following deficiency in Town of Montgomery IDA, Inc.'s internal control to be a significant deficiency:

**2010-01                      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 that errors or irregularities would occur and be concealed in the normal course of performing one's duties.

**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 perpetrate 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 management review the responsibilities of business staff, as well as the duties actually being performed. This review should focus on segregating the functions of 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.

**2010-02                      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 IDA'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 IDA 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 IDA 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 IDA 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 IDA's internal control, relying on the auditor to assist with preparation of the IDA's financial statements and help guide management through complex accounting standards is acceptable under current prescribed standards.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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NUGENT & HAEUSSLER, P.C.