

Town of Montgomery
Industrial Development Agency
(A Discretely Presented Component Unit of the
Town of Montgomery, New York)

Financial Statements and Supplementary Information

Year Ended December 31, 2023

Town of Montgomery Industrial Development Agency

(A Discretely Presented Component Unit of the Town of Montgomery, New York)

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Independent Auditors' Report

**The Board of Directors of the
Town of Montgomery Industrial Development Agency
(A Discretely Presented Component Unit of the Town of Montgomery, New York)**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Town of Montgomery Industrial Development Agency ("Agency"), a discretely presented component unit of the Town of Montgomery, New York, as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Agency's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of December 31, 2023 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Supplementary Information

Management is responsible for the other supplementary information included in the financial statements. The other supplementary information consists of the Schedule of Bonds and Notes and the Schedule of Straight Leases, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other supplementary information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other supplementary information and consider whether a material inconsistency exists between the other supplementary information and the financial statements, or the other supplementary information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other supplementary information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2024 on our consideration of the Agency'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 solely 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 the effectiveness of the Agency's 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 the Agency's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

March 12, 2024

Town of Montgomery Industrial Development Agency
(A Discretely Presented Component Unit of the Town of Montgomery, New York)

Statement of Net Position
December 31, 2023

	<u>2023</u>
ASSETS	
Current assets	
Cash and equivalents	<u>\$ 505,091</u>
LIABILITIES	
Current liabilities	
Accrued expenses	18,682
Project escrow liability	<u>18,855</u>
Total Liabilities	<u>37,537</u>
NET POSITION	
Unrestricted	<u><u>\$ 467,554</u></u>

See notes to financial statements.

Town of Montgomery Industrial Development Agency
(A Discretely Presented Component Unit of the Town of Montgomery, New York)

Statement of Revenues, Expenses
and Changes in Net Position
Year Ended December 31, 2023

	<u>2023</u>
OPERATING REVENUES	
Fees charged	\$ 24,655
Miscellaneous	<u>30</u>
Total Operating Revenues	<u>24,685</u>
OPERATING EXPENSES	
Contracted services	129,059
Professional fees	31,844
Marketing/web services	22,100
Miscellaneous	<u>3,996</u>
Total Operating Expenses	<u>186,999</u>
Loss from Operations	<u>(162,314)</u>
NON-OPERATING REVENUES	
Interest income	<u>2,743</u>
Change in Net Position	(159,571)
NET POSITION	
Beginning of Year	<u>627,125</u>
End of Year	<u><u>\$ 467,554</u></u>

See notes to financial statements.

Town of Montgomery Industrial Development Agency
(A Discretely Presented Component Unit of the Town of Montgomery, New York)

Statement of Cash Flows
Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from escrow deposits	\$ 17,360
Cash disbursed from escrow deposits	(9,080)
Cash received from fees and miscellaneous	24,685
Cash paid for administrative costs	<u>(188,702)</u>
Net Cash from Operating Activities	(155,737)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>2,743</u>
Net Change in Cash and Equivalents	(152,994)

CASH AND EQUIVALENTS

Beginning of Year	<u>658,085</u>
End of Year	<u><u>\$ 505,091</u></u>

**RECONCILIATION OF LOSS FROM OPERATIONS
TO NET CASH FROM OPERATING ACTIVITIES**

Loss from operations	\$ (162,314)
Adjustments to reconcile loss from operations to net cash from operating activities	
Changes in operating assets and liabilities	
Accrued expenses	(1,703)
Project escrow liability	<u>8,280</u>
Net Cash from Operating Activities	<u><u>\$ (155,737)</u></u>

See notes to financial statements.

Town of Montgomery Industrial Development Agency
(A Discretely Presented Component Unit of the Town of Montgomery, New York)

Notes to Financial Statements
December 31, 2023

Note 1 - Organization

The Town of Montgomery Industrial Development Agency ("Agency"), a corporate governmental agency constituting a public benefit corporation, was created to assist the Town of Montgomery, New York ("Town") in financing projects within the Town limits that would enhance the social and economic fabric of the Town. The Agency is governed by Article 18-A of the General Municipal Law of the State of New York. The Agency is exempt from Federal, State and Local income taxes.

The Agency is administered by a Board of Directors ("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 Directors 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.

Note 2 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Agency has been identified as a component unit of the Town in accordance with the criteria enumerated in Governmental Accounting Standards Board ("GASB") Statement No. 61.

B. Basis of Accounting

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Agency reports its operations on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Agency's principal ongoing operation. The principle operating revenue of the Agency is administration fees. Operating expenses include contracted services, professional fees, marketing/web services and miscellaneous costs. All revenue and expenses not meeting the definition are reported as non-operating revenues and expenses.

C. Assets, Liabilities and Net Position

Cash and Equivalents, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

Town of Montgomery Industrial Development Agency
(A Discretely Presented Component Unit of the Town of Montgomery, New York)

Notes to Financial Statements (Continued)
December 31, 2023

Note 2 - Summary of Significant Accounting Policies (Continued)

The Agency's deposits and investment policies are governed by State statutes. The Agency has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The Agency is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Agency has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The Agency follows the provisions of GASB Statement No. 72, "*Fair Value Measurement and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Agency does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. GASB Statement No. 40, "*Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*", directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Agency's name. The Agency's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2023.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Agency does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Town of Montgomery Industrial Development Agency
(A Discretely Presented Component Unit of the Town of Montgomery, New York)

Notes to Financial Statements (Continued)
December 31, 2023

Note 2 - Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Agency's investment policy limits the amount on deposit at each of its banking institutions.

Project Escrow Liability - Assets held for specific projects until disbursed during the project application phase. Unspent funds are returned at the end of the application process.

Net Position - represents the difference between assets and liabilities, Net position is classified as unrestricted.

D. Use of Estimates

The preparation of the 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 disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

E. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 12, 2024.

Note 3 - Industrial Development Revenue Bond Transactions

Certain industrial development revenue bonds issued by the Agency are secured by property which is leased to companies and is retired by lease payments. The bonds are not obligations of the Agency. The Agency does not record the assets or a liability resulting from completed bond issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. In addition, the Agency receives closing fees for straight lease transactions as a percentage of the total project costs. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds or closing on leases.

Note 4 - Intermunicipal Agreement

An administrative services contract exists between the Agency and the Town. The Agency and the Town agree that the Town will provide certain services of the staff of the Department of Economic Development and Planning to act as the Executive Director of the Agency. The Agency reimburses the Town for the full cost of the salary and benefits paid by the Town on behalf of the Executive Director. In addition, the Town provides, maintains and equips suitable office space for the Agency.

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OTHER SUPPLEMENTARY INFORMATION

Town of Montgomery Industrial Development Agency
 (A Discretely Presented Component Unit of the Town of Montgomery, New York)

Supplementary Information
 Statement of Indebtedness - Bonds and Notes
 December 31, 2023

<u>Project Name</u> <u>Owner Name and Address</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance at January 1, 2023</u>	<u>Retired in 2023</u>	<u>Balance at December 31, 2023</u>	<u>Project Purpose Code</u>
The Cedars Apartment Project 400 Cliff Street and 55 Main Street Walden, NY 12586	2015	07/32	4.51%	\$ 7,600,000	\$ 6,985,225	\$ 119,593	\$ 6,865,632	8

Project Purpose Codes

- 1 - Services
- 2 - Construction
- 3 - Agriculture, Forestry and Fishing
- 4 - Wholesale Trade
- 5 - Retail Trade
- 6 - Finance, Insurance and Real Estate
- 7 - Transportation, Communication, Electric, Gas and Sanitary Services
- 8 - Other
- 9 - Manufacturing

See independent auditors' report.

Federal Tax Status	Not-for-profit	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	Tax Exemptions					
				Real Property Tax			Sales Tax	Mortgage Recording	Total Exemptions
				County	Local	School			
Exempt	No	2	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Montgomery Industrial Development Agency
(A Discretely Presented Component Unit of the Town of Montgomery, New York)

Supplementary Information
Statement of Indebtedness - Straight Lease
December 31, 2023

Project Name Owner Name and Address	Total Project Cost	Method of Financial Assistance, Other than the Tax Exemptions	Project Purpose Code	Not-for-profit	Original Estimate of Jobs to be Created
Goodwill Properties, LLC 2105 State Route 208 Montgomery, NY 12549	\$ 6,750,000	None	1	No	20
Kadge, LLC 36 Maybrook Road Montgomery, NY 12549	\$ 4,900,000	None	9	No	8
Montgomery Group 228 Ward Street Montgomery, NY 12549	\$ 1,175,000	None	8	No	32
Spruce Properties 2134 State Route 208 Montgomery, NY 12549	\$ 950,000	None	5	No	0
Stewart Holdings 60-90 Hawkins Drive Montgomery, NY 12549	\$ 11,471,232	None	9	No	17
United Natural Foods, Inc. 525 Neelytown Road Montgomery, NY 12549	\$ 85,000,000	None	7	No	331
USEF Sailfish, LLC 635 International Drive Montgomery, NY 12549	\$ 75,000,000	None	7	No	1100
Hudson Valley Country Club 110 Country Club Road Montgomery, NY 12549	\$ 3,731,000	None	8	No	24

Project Purpose Codes

- 1 - Services
- 2 - Construction
- 3 - Agriculture, Forestry and Fishing
- 4 - Wholesale Trade
- 5 - Retail Trade
- 6 - Finance, Insurance and Real Estate
- 7 - Transportation, Communication, Electric, Gas and Sanitary Services
- 8 - Other
- 9 - Manufacturing

See independent auditors' report.

Original Estimate of Jobs to be Retained	Tax Exemptions							
	Real Property Tax			Sales Tax	Mortgage Recording	Total Exemptions		
	County	Local	School					
0	\$ 7,506	\$ 8,742	\$ 41,566	\$ -	\$ -	\$ 57,814		
85	\$ 17,313	\$ 20,164	\$ 109,494	\$ -	\$ -	\$ 146,971		
72	\$ 5,026	\$ 5,854	\$ 32,471	\$ -	\$ -	\$ 43,351		
0	\$ 1,785	\$ 2,079	\$ 7,690	\$ -	\$ -	\$ 11,554		
30	\$ 28,028	\$ 32,642	\$ 181,065	\$ -	\$ -	\$ 241,735		
0	\$ 59,316	\$ 69,082	\$ 328,453	\$ -	\$ -	\$ 456,851		
800	\$ 148,050	\$ 172,425	\$ 956,436	\$ -	\$ -	\$ 1,276,911		
19	\$ -	\$ -	\$ -	\$ 27,794	\$ -	\$ 27,794		

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**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***

Independent Auditors' Report

**The Board of Directors of the
Town of Montgomery Industrial Development Agency
(A Discretely Presented Component Unit of the Town of Montgomery, New York)**

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 Town of Montgomery Industrial Development Agency ("Agency"), a discretely presented component unit of the Town of Montgomery, New York as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated March 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 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. 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 or significant deficiencies may exist that were not identified.

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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*.

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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

March 12, 2024