

ANNUAL FINANCIAL REPORT

TOWN OF WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
For the Year Ended December 31, 2016

Audited for:

Chairman and Members of the Board of Directors
TOWN OF WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY

Audited By:
RBT CPAs, LLP
2678 South Road Suite 101
Poughkeepsie, New York 12601
(845) 485-5510

**TOWN OF WALLKILL INDUSTRIAL DEVELOPMENT AGENCY
TABLE OF CONTENTS**

	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis (Unaudited)	3-4
Financial Statements:	
Statement of Net Position	5
Statement of Revenues, Expenses and Changes in Net Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-9
Other Supplemental Information:	
Schedule of Supplemental Information	10
Other Reporting Required by <i>Government Auditing Standards</i>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	11-12
Schedule of Findings, Recommendations and Responses	13



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

INDEPENDENT AUDITOR'S 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 Industrial Development Agency ("Agency"), a component unit of the Town of Wallkill, New York, as of and for the year ended December 31, 2016, 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.

Auditor's 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. 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 audit 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 Industrial Development Agency as of December 31, 2016, and the changes in its financial position and its cash flows for the year 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 3-4, 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 Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Supplemental Information on page 10 is presented for purposes of additional analysis and is not a required part of 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 29, 2017, on our consideration of the Town of Wallkill Industrial Development 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 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 the Town of Wallkill Industrial Development Agency's internal control over financial reporting and compliance.

RBT CPAs, LLP

Poughkeepsie, New York
March 29, 2017

**TOWN OF WALLKILL INDUSTRIAL DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2016**

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 (“Agency”) for the year ended December 31, 2016, as mandated by GASB 34. This information should be reviewed in conjunction with the Agency’s audited financial statements.

The Agency was established to encourage economic growth within the Town of Wallkill, New York.

FINANCIAL OPERATIONS HIGHLIGHTS

There was an increase in net position of \$87,600 in 2016.

Operating expenses increased by \$12,373 in 2016. This was due to increased consultation with legal counsel regarding matters related to the IDA and one of its projects.

A summary of operations is as follows:

For the year ended December 31	2016	2015
Operating Revenues	\$ 117,341	\$ -
Operating Expenses	30,097	17,724
Operating Profit	87,244	(17,724)
Non-Operating Revenues:		
Interest Income	356	911
Net Non-Operating Revenues	356	911
Change in Net Position	\$ 87,600	\$ (16,813)

**TOWN OF WALLKILL INDUSTRIAL DEVELOPMENT AGENCY
 REQUIRED SUPPLEMENTARY INFORMATION
 MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
 DECEMBER 31, 2016**

FINANCIAL POSITION SUMMARY

Net position may serve as an indicator of the Agency's financial position. The Agency's net position was \$61,498 and \$(26,102) at December 31, 2016 and 2015, respectively. The increase in net position of \$87,600 reflects the Agency's "gain" for 2016.

For details of the Agency's finances, see the accompanying financial statements and notes thereof.

As of December 31	2016		2015	
Current Assets	\$	157,312	\$	180,057
TOTAL ASSETS	\$	157,312	\$	180,057
Liabilities	\$	11,932	\$	4,936
Deferred Inflows of Resources		83,882		201,223
Net Position:				
Unrestricted		61,498		(26,102)
Total Net Position		61,498		(26,102)
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$	157,312	\$	180,057

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 WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION**

As of December 31	2016
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 157,312
TOTAL ASSETS	\$ 157,312
Liabilities:	
Accounts Payable	\$ 11,932
Total Liabilities	11,932
Deferred Inflows of Resources (Note 2)	83,882
Net Position:	
Unrestricted	61,498
Total Net Position	61,498
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 157,312

See Notes to the Financial Statements

**TOWN OF WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the year ended December 31	2016
Operating Revenues:	
Miscellaneous Revenue	\$117,341
Total Operating Revenues	117,341
Operating Expenses:	
Professional Fees	30,097
Total Operating Expenses	30,097
Operating Profit	87,244
Non-Operating Revenues:	
Interest Income	356
Net Non-Operating Revenues	356
Change in Net Position	87,600
Net Position - Beginning	(26,102)
Net Position - Ending	\$ 61,498

See Notes to the Financial Statements

**TOWN OF WALLKILL, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS**

For the year ended December 31	2016
Cash Flows from Operating Activities	
Other expense	\$ (23,101)
Net cash (used) by operating activities	(23,101)
Cash Flows from Investing Activities	
Interest income	356
Net cash provided by operating activities	356
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,745)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	180,057
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 157,312
Reconciliation of operating profit to net cash (used) by operating activities	
Operating Profit	\$ 87,244
Adjustments to Reconcile Operating Income to Net Cash (used) by Operating Activities:	
Changes in Assets and Liabilities:	
(Decrease) Increase in Accounts Payable	6,996
(Decrease) Increase in Deferred Outflows	(117,341)
NET CASH (USED) BY OPERATING ACTIVITIES	\$ (23,101)

See Notes to the Financial Statements

**TOWN OF WALLKILL INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. Organization and 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 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.

Basis of Accounting

As described above, the Agency's purpose is 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 financial resources.

Cash and Cash Equivalents

For the purpose of presenting 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 or cash equivalents.

Agency monies are deposited in FDIC insured commercial banks or trust companies located within the State of New York. The Agency is authorized to use demand deposit, time and money market savings accounts, and certificates of deposit. Governmental Accounting Standards Board Statement No. 40 *Deposits and Investment Risk Disclosure*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, or collateralized by securities held by the Agency or its agent in the Agency's name. The Agency's cash balances were fully insured by the FDIC.

**TOWN OF WALLKILL INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. Organization and Summary of Significant Accounting Policies (continued)

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 basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the 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. Accordingly, 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, 2016, and through March 29, 2017, the date on which the financial statements were available for issuance.

2. Deferred Inflows of Resources

The Agency has recorded deferred revenues pertaining to the Middletown City School District and Goshen Central School District. Such deferred revenues would be recognized in the event legal fees were incurred related to maintaining and/or enforcing the PILOT agreements. The Agency has recognized \$117,341 in revenue for 2016, pertaining to Goshen Central School District amounts as the District has indicated the deferral is not necessary. The remaining deferred revenues of \$83,882 for Middletown City School District comprises the balance at December 31, 2016.

3. Industrial Revenue Bonds

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 therefrom are normally controlled by trustees or banks acting as fiscal agents. There are no such bonds outstanding as of December 31, 2016.

4. New Reporting Standards

GASB has issued Statements 68-84, none of which are expected to have any substantive effects on the Agency's net position.

OTHER SUPPLEMENTAL INFORMATION

**TOWN OF WALLKILL INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016**

	PROJECTS		
	3308-5 PCM Dev Corp	3308-1 Walkill Living Center	3308-2 Tetz Asphalt, LLC
Real Property Tax Exemptions:			
Sales Tax	\$ -	\$ -	\$ -
Real Property Tax	50,331,000	1,920,000	189,800
Mortgage Recording	-	-	-
TOTAL	\$ 50,331,000	\$ 1,920,000	\$ 189,800
Payments in Lieu of Taxes (PILOTS):			
County	\$ 893,093	\$ -	\$ -
Local	1,105,071	113,547	2,106
School	-	-	15,574
TOTAL	\$ 1,998,164	\$ 113,547	\$ 17,680
Number of Current FTE Employees- Unaudited*	1,075	12	100

* - 2016 numbers unavailable at the time of report issuance, these are 2013 amounts carried forward

OTHER REPORTING REQUIRED
by GOVERNMENT AUDITING STANDARDS



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**INDEPENDENT AUDITOR’S 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 Industrial Development Agency (“Agency”) as of and for the year ended December 31, 2016, 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 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Wallkill 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 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.

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 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, described in the accompanying Schedule of Findings, Recommendations and Responses as Finding 1.

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 Town of Wallkill Industrial Development 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 Town of Wallkill Industrial Development Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RBT CPAs, LLP

Poughkeepsie, New York
March 29, 2017

**TOWN OF WALLKILL INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS,
RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

COMPLIANCE:

PRIOR YEAR FINDING:

Finding 1:

Condition:

As part of our audit, we noted that the Agency did not obtain the Full-Time Equivalent employee information pertaining to the PILOT recipients.

Criteria:

The Agency is required to obtain and report FTE data as part of the filing of the PARIS report for each year. The last year the Agency obtained such employment data was 2013.

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 obtain the FTE data annually to ensure accurate reporting on the year-end PARIS report.

Management's Response:

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