

**TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Town of Erwin Industrial Development Agency  
Painted Post, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Erwin Industrial Development Agency, a component unit of the Town of Erwin, 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 financial statements are free from material misstatement.

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

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

## **Basis for Qualified Opinion**

As discussed in Note 1 and Note 3, management has not adopted a provision for depreciation expense. Accounting principles generally accepted in the United States of America require that depreciation expense be recorded based on the estimated useful life of each asset, which would decrease the assets and net position and change the expenses. The amount by which this departure would affect the assets, net position, and expense has not been determined.

## **Qualified Opinion**

In our opinion, except for the effect of not recording depreciation expense, as described in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the net position of the Town of Erwin Industrial Development Agency as of December 31, 2016, and its changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Correction of Error*

As indicated in Note 9, net position at January 1, 2016 has been restated to correct an error in due from other governments at December 31, 2015. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

The Town of Erwin Industrial Development Agency has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2017, on our consideration of the Town of Erwin 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 the 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 Erwin Industrial Development Agency's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC  
Rochester, New York  
March 15, 2017

**TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY**  
**Statement of Net Position**  
**December 31, 2016**

	<u>TEIDA Fund</u>	<u>Airport Fund</u>	<u>Three Rivers Corp. Fund</u>	<u>Total All Funds</u>
<b>ASSETS</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 90,202	\$ 279,208	\$ -	\$ 369,410
Due from other governments	<u>-</u>	<u>27,550</u>	<u>-</u>	<u>27,550</u>
Total current assets	90,202	306,758	-	396,960
<b>Property and Equipment - Net</b>	<u>195,000</u>	<u>11,082,869</u>	<u>-</u>	<u>11,277,869</u>
<b>Total Assets</b>	<u>\$ 285,202</u>	<u>\$ 11,389,627</u>	<u>\$ -</u>	<u>\$ 11,674,829</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Liabilities</b>				
Due to other governments	\$ 8,637	\$ 18,913	\$ -	\$ 27,550
Accounts payable	-	22,757	-	22,757
Other accrued liabilities	<u>-</u>	<u>8,626</u>	<u>-</u>	<u>8,626</u>
Total liabilities	<u>8,637</u>	<u>50,296</u>	<u>-</u>	<u>58,933</u>
<b>Net Position</b>				
Net investment in capital assets	195,000	11,082,869	-	11,277,869
Unrestricted	<u>81,565</u>	<u>256,462</u>	<u>-</u>	<u>338,027</u>
Total net position	<u>276,565</u>	<u>11,339,331</u>	<u>-</u>	<u>11,615,896</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 285,202</u>	<u>\$ 11,389,627</u>	<u>\$ -</u>	<u>\$ 11,674,829</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY**  
**Statement of Revenue, Expense, and Change in Net Position**  
**For the Year Ended December 31, 2016**

	<u>TEIDA Fund</u>	<u>Airport Fund</u>	<u>Three Rivers Corp. Fund</u>	<u>Total All Funds</u>
<b>Revenue</b>				
Federal development grants	\$ -	\$ 204,558	\$ -	\$ 204,558
State development grants	-	11,614	-	11,614
Fees and rental income	-	7,826	-	7,826
Lease income	-	30,499	-	30,499
Other revenue	-	410	-	410
Total revenue	<u>-</u>	<u>254,907</u>	<u>-</u>	<u>254,907</u>
<b>Expense</b>				
Administrative	<u>6,242</u>	<u>14,940</u>	<u>-</u>	<u>21,182</u>
<b>Operating Income (Loss)</b>	<u>(6,242)</u>	<u>239,967</u>	<u>-</u>	<u>233,725</u>
<b>Non-operating Revenue (Expense)</b>				
Interest income	-	-	19	19
Interfund transfers	<u>280,007</u>	<u>12</u>	<u>(280,019)</u>	<u>-</u>
Total non-operating revenue (expense)	<u>280,007</u>	<u>12</u>	<u>(280,000)</u>	<u>19</u>
<b>Change in Net Position</b>	<u>273,765</u>	<u>239,979</u>	<u>(280,000)</u>	<u>233,744</u>
<b>Net Position - Beginning, as Previously Stated</b>	2,800	11,090,762	280,000	11,373,562
<b>Restatement</b>	<u>-</u>	<u>8,590</u>	<u>-</u>	<u>8,590</u>
<b>Net Position - Beginning, as Restated</b>	<u>2,800</u>	<u>11,099,352</u>	<u>280,000</u>	<u>11,382,152</u>
<b>Net Position - Ending</b>	<u>\$ 276,565</u>	<u>\$ 11,339,331</u>	<u>\$ -</u>	<u>\$ 11,615,896</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

	<u>TEIDA Fund</u>	<u>Airport Fund</u>	<u>Three Rivers Corp. Fund</u>	<u>Total All Funds</u>
<b>Cash Flows from Operating Activities</b>				
Cash receipts from federal and state grants	\$ -	\$ 207,617	\$ -	\$ 207,617
Cash receipts from fees and other income	-	39,575	-	39,575
Cash paid for operating expenses	<u>(6,242)</u>	<u>(798)</u>	<u>-</u>	<u>(7,040)</u>
Net cash from operating activities	<u>(6,242)</u>	<u>246,394</u>	<u>-</u>	<u>240,152</u>
<b>Cash Flow from Noncapital Financing Activities</b>				
Transfers to and from other funds	<u>85,007</u>	<u>12</u>	<u>(85,019)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>				
Investment income	-	-	19	19
Land and project expenditures	<u>-</u>	<u>(226,365)</u>	<u>-</u>	<u>(226,365)</u>
Net cash from investing activities	<u>-</u>	<u>(226,365)</u>	<u>19</u>	<u>(226,346)</u>
<b>Net Change in Cash and Cash Equivalents</b>	78,765	20,041	(85,000)	13,806
<b>Cash and Cash Equivalents - Beginning</b>	<u>11,437</u>	<u>259,167</u>	<u>85,000</u>	<u>355,604</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 90,202</u>	<u>\$ 279,208</u>	<u>\$ -</u>	<u>\$ 369,410</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flow from Operating Activities</b>				
Operating income (loss)	\$ (6,242)	\$ 239,967	\$ -	\$ 233,725
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Change in assets and liabilities:				
Change in other accrued liabilities	-	840	-	840
Change in accounts payable	-	14,142	-	14,142
Change in due from other governments	<u>-</u>	<u>(8,555)</u>	<u>-</u>	<u>(8,555)</u>
<b>Net Cash Flow from Operating Activities</b>	<u>\$ (6,242)</u>	<u>\$ 246,394</u>	<u>\$ -</u>	<u>\$ 240,152</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies and Nature of the Agency**

The Town of Erwin Industrial Development Agency ("TEIDA"), a component unit of the Town of Erwin, is a public benefit corporation which was established August 26, 1970, pursuant to Chapter 1030 of the Laws of 1969 by an Act of the New York State Legislature. The purpose of TEIDA is to protect and promote the economic welfare of the Town of Erwin and to actively promote, attract, encourage and develop the continuation of sound commerce and industry through farsighted municipal action and to develop, encourage and assist new industry and commerce to consider locating in the Town of Erwin.

TEIDA owns the Industrial Park located in the Town of Erwin and sells land in the park to foster industrial growth. TEIDA provides the infrastructure to support industrial growth by contracting with industry and the Town of Erwin to be the agent to construct municipal infrastructure (roads, water and sewer facilities) for ultimate ownership and operation.

TEIDA owns the Corning-Painted Post Airport, a public use, general aviation airport, and a gravel pit. The material in the gravel pit assists TEIDA to provide the infrastructure that supports industrial growth.

**Basis of Accounting** - The Agency complies with the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature.

The accounts of the Agency are maintained on the accrual basis of accounting. Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on the determination of operating income, financial position, changes in net position and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as, materials, contracts, and personnel. This includes the capitalization of fixed assets and recording long term debt as a fund liability. Depreciation on fixed assets has not been provided in the accompanying financial statements.

**Estimates** - The preparation of 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 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.

**Basis of Presentation** - The Agency complies with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements provide guidance on presenting deferred outflows, deferred inflows and net position. Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. GASB requires the classification of net position into three classifications defined as follows:

Net investment in capital assets - This component of net position consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - This component of net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets. At December 31, 2016, no amounts were classified as restricted net position.

Unrestricted net position - This component of net position consists of all other net position that does not meet the definition of the above two components and is available for general use by the agency.

**TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY**  
**Notes to Financial Statements**

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**Cash and Cash Equivalents** - For the purposes of the statement of net position and statement of cash flows, cash and cash equivalents include deposits. TEIDA maintains cash and cash equivalents at financial institutions which periodically may exceed federally insured limits.

**Due from Other Governments** - Due from other governments is stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the outstanding balances and current relationships, management has concluded that realization losses on balances outstanding at year end will be immaterial.

**Property and Equipment** - Property and equipment is stated at the acquisition cost or construction cost, including administrative expenses and interest attributable to each project. All costs associated with projects are capitalized and there is no formal capitalization policy. Depreciation has not been recorded.

The Agency contracts with industry and the Town of Erwin to be the agent to construct municipal infrastructure (roads, water and sewer facilities) that is dedicated to the Town of Erwin for ultimate ownership and operation. These financial statements do not include any assets, liabilities, revenues or expenses related to infrastructure activities.

**Revenue Recognition** - Amounts received in advance from leases of airport hangars are deferred and recognized as fee income on January 1st and July 1st each year. Grant income is recognized when the grant expenditures have been incurred.

**Conduit Financing** - TEIDA does not provide conduit financing.

**Payments in Lieu of Taxes** - TEIDA has done traditional payment in lieu of taxes agreements (PILOT) whereby TEIDA owns the land, sells it to the industry on a land contract in exchange for PILOT payments, and at the end of the PILOT period the land transfers to the industry. This included sales tax exemption for construction. TEIDA has no active PILOT agreements of this type. TEIDA does have a PILOT with the operator of the Corning-Painted Post Airport for buildings owned by the operator.

**Interfund Transfers** - Exchange transactions between funds are reported as revenues in seller funds, and as expenditures or expenses in purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as an interfund transfer.

During 2016, the Three Rivers Development Corporation Board of Directors voted unanimously in favor of transferring funds back to the Agency. As a result of these transactions, transfers of cash and land amounted to approximately \$85,000 and \$195,000, respectively.

**Note 2. Deposits with Financial Institutions and Investments**

**Policies** - The Agency follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conform with federal, state and other legal requirements; provide sufficient liquidity of invested funds in order to meet obligations as they become due; and obtain a reasonable rate of return. Oversight of investment activity is the responsibility of the Chief Executive Officer.

The Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within and authorized to do business in New York State. Permissible investments include special time deposit accounts, certificates of deposit and obligations of the United States or of federal agencies whose principal and interest payments are fully guaranteed by the federal government, or New York State or in general obligations of the State's political subdivisions.

Collateral is required for deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are those identified in New York State General Municipal Law, Section 10 and outlined in the New York State Comptroller's Financial Management Guide.

**TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY**  
**Notes to Financial Statements**

**Interest Rate Risk** - Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Agency's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - The Agency's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Agency's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Special time deposits;
- Obligations of the United States of America;
- Obligations where payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;
- Certificates of deposit.

**Custodial Credit Risk** - The risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Agency's investment and deposit policy, all deposits of the Agency including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provision of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits and the agreed upon interest; or an "irrevocable letter of credit" issued by a qualified bank with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest; or by an eligible surety bond payable for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest. The Agency restricts the securities to the following eligible items:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations issued or fully insured or guaranteed by the State of New York.

At December 31, 2016 all of the Agency's deposits were fully collateralized.

**Note 3. Property and Equipment**

Property and equipment consisted of the following at December 31, 2016:

	<u>TEIDA Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Land	\$ 195,000	\$ 2,838,066	\$ 3,033,066
Land improvements	-	6,947,454	6,947,454
Buildings	-	683,853	683,853
Equipment	-	370,411	370,411
Construction in progress	-	243,085	243,085
Total property and equipment - net	<u>\$ 195,000</u>	<u>\$ 11,082,869</u>	<u>\$ 11,277,869</u>

The Agency does not record depreciation expense and related accumulated depreciation on property and equipment.

**Note 4. Due to/from Other Governments and Related Party Transactions**

The Agency reports amounts as due from other governments, which consisted of funds claimed but not received from state and other governmental agencies. The Agency believes that all amounts due from other governments are fully collectible, therefore, no allowance for doubtful accounts has been recorded. Amounts due from other governments was comprised of the following at December 31, 2016:

Town of Erwin	\$ 20,612
New York State Department of Transportation	<u>6,938</u>
Total	<u>\$ 27,550</u>

**TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY**  
**Notes to Financial Statements**

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The Agency reports amounts as due to other governments, which consisted of non-interest bearing advances received but not paid back to other governmental agencies. Amounts due to other governments was comprised of the following at December 31, 2016:

Town of Erwin \$ 27,550

The Agency is related through common management and Board of Directors membership with the Town of Erwin and the Town of Erwin Community Development Agency, which also promotes economic development in the Town.

The Town of Erwin participates in the New York State and Local Employee' Retirement System, a cost-sharing multiple-employer retirement system. The retirement contributions for personnel of the Agency covered through the system are provided by the Town of Erwin at no cost to the Organization. Therefore, no costs associated with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An amendment of GASB Statement No. 68*, were included in these financial statements. Employee benefits and all payroll taxes are also paid by the Town of Erwin.

**Note 5. In-Kind Contributions**

TEIDA does not record in-kind contributions due to the fair value of services not being readily determinable at year end. Management has determined that the effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

TEIDA offices are housed in a building owned by the Town of Erwin. The Town does not charge rent to TEIDA for the use of the facility.

The job responsibilities of certain Town of Erwin employees, primarily the Town Manager and Administrative Assistant, include duties performed for and on behalf of TEIDA. The Town does not charge TEIDA for these services.

**Note 6. Budget Comparison**

The following is a comparison of the TEIDA and Airport Funds actual expenditures to budgeted expenditures for the year ended December 31, 2016:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Contractual expenditures	\$ 209,117	\$ 226,365	\$ (17,248)
Administrative	6,242	21,182	(14,940)
Total	<u>\$ 215,359</u>	<u>\$ 247,547</u>	<u>\$ (32,188)</u>

The budget to actual difference shown above for contractual expenditures was due to timing of when projects were approved which resulted in unbudgeted expenditures. The difference in administrative relates to underbudgeted expenses in 2016.

**TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY**  
**Notes to Financial Statements**

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**Note 7. Commitments**

TEIDA entered into a consultant contract with Passero Associates, Engineering, Architecture & Surveying, P.C. during 2015, for professional services in relation to the planning phase of the Airport Master Plan Update and Obstruction Study. Expected costs for services rendered are approximately \$185,000 and will be covered by 90% federal funding, 5% state funding, and 5% local funding.

The Airport Capital Improvement Plan is expected to cost \$3,325,300 and has an estimated completion date of November 2019. Current projects include (1) Airport Master Plan Update and Obstruction Study and (2) Rehabilitate airfield pavements for Runway 14/32 and airfield pavement major crack repair, seal coat and re-marking.

**Note 8. Leases**

TEIDA is a lessor in lease agreements under which airport hangars are leased to third parties. The agreements automatically renew for additional one-year periods unless written notice is provided to TEIDA 30 days prior to renewal. Given the terms of the airport hangar leases, minimum future rentals are \$30,324 each of the next five years.

**Note 9. Restatement**

Net position has been restated to properly reflect due from other governments. The result of this restatement has increased total net position by \$8,590.

## **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 Board of Directors  
Town of Erwin Industrial Development Agency  
Painted Post, 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 Erwin Industrial Development Agency as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Erwin Industrial Development Agency's basic financial statements, and have issued our report thereon dated March 15, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Erwin 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 Erwin Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Erwin Industrial Development 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described as 2016-001 in the accompanying summary schedule of prior year findings to be a material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Erwin Industrial Development 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2016-002.

## **Town of Erwin Industrial Development Agency's Response to Finding**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC  
Rochester, New York  
March 15, 2017

**TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY**  
**Schedule of Findings and Responses**  
**For the Year Ended December 31, 2016**

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**FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 2016-001 - INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Material Weakness - Material Journal Entries:** During the audit, it was necessary to make a significant number of material journal entries to the Agency's general ledger. Although we as auditors are involved in the process of drafting the financial statements and related footnotes and may be consulted with respect to entries necessary to record specific transactions, it is management's responsibility to maintain the necessary expertise and the proper system of controls to properly prevent or detect a material misstatement in the general ledger and in the financial statements.

**Recommendation:** We recommend that formal year end closing procedures be established to facilitate the preparation of the general ledger. A closing checklist should be used to standardize the closing process and provide assistance in performing reconciliations.

**Management Response:** *2016 was a transition year for the Agency. The bookkeeper of 43 years passed in December 2015, after a 6 month illness. A contract service was procured in October 2015 to complete 2015 books and to open and begin 2016 books. A new bookkeeper was hired in February 2016. Due to the sudden change in personnel and interim contract service, there was a lack of continuity and training. Efforts have been made during 2016 to rectify this situation, and procedures are in place to ensure orderly closure and entries.*

**FINDINGS - COMPLIANCE AND OTHER MATTERS**

**FINDING 2016-002 - NON-COMPLIANCE WITH AUTHORITIES BUDGET OFFICE REQUIREMENTS**

**Significant Deficiency - Non-compliance with Authorities Budget Office Policy No. 10-03:** Public Authorities Law requires state and local authorities to file specific financial and budgetary information with the Authorities Budget Office (ABO), as well as to report property transactions, debt issuances, and other information on their operations with a focus primarily on public disclosure and transparent reporting of public authority financial and management information. During the current year audit, we reviewed the Authority's compliance with Policy No. 10-03, *Posting and Maintaining Reports on Public Authority Web Sites*, noting that required information was missing or not easily accessible.

**Recommendation:** The Authority's web site should be updated to include all information required by ABO Policy No. 10-03. This information is to be made available in a manner that enable the public to easily find and navigate through it. The failure to post this information on the web site and maintain its accuracy will be considered an act of non-compliance with state law and subject the Authority to the sanctions and enforcement powers provided to the ABO by statute.

**Management Response:** *The 2016 transition also affected other clerical positions. We now have in place a clerk who is competent and capable of website management. Required information will be posted timely.*

**TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY**  
**Summary Schedule of Prior Year Findings**  
**For the Year Ended December 31, 2016**

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**FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 2015-001 - INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Significant Deficiency - Accounting Software:** During the prior year audit, we noted that the Agency was using a manual accounting system accumulated from various sources to compile its accounting information for the year. While the end result is an accurate representation of the accounting transactions that occurred during the year, an electronic general ledger system would be more efficient and effective going forward for the Agency.

**Recommendation:** We recommend that the Agency implement an electronic general ledger system. We believe that a new accounting system would benefit the Agency in two specific ways. First, it would increase the accounting department's ability to efficiently and effectively record daily transactions. Second, it would provide management with complete and accurate financial information on a timely basis.

**Resolution:** The Agency upgraded to Windows and the most recent version of the municipal bookkeeping software. This software will allow for record keeping in the same manner as all Town accounts in keeping with the NYS Comptroller's Uniform System of Accounts. It will track all expenses and revenues, upload salary data in real time, produce all ledgers, trail balances, and reports to accurately track all transactions and financial position throughout the year. The system will also produce all annual data necessary in the same manner as the Annual Update Document.

**Status:** While the electronic general ledger system was implemented, as indicated in Finding 2016-001 a significant number of material journal entries were required to correct postings.