

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2009

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

We have audited the accompanying financial statements of the Town of Erwin Industrial Development Agency (the "Agency") as of and for the year ended December 31, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Erwin Industrial Development Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

With the exception of the matter in the following paragraph, 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 and the Uniform System of Accounts for the Industrial Development Agencies, published by the New York State Office of the State Comptroller. 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 opinion.

We were unable to audit land cost reflected in the financial statements as Land - Three Rivers Corp. Fund amounting to \$195,000 at December 31, 2009. We were also unable to audit Accrued Expenses - Three Rivers Corp. Fund amounting to \$40,142 at December 31, 2009. The values included in the financial statements were provided by management and represent the amounts reflected on the Annual Financial Report submitted to the New York State Office of the State Comptroller for the year ended December 31, 2007. An Annual Financial Report was not submitted for the years ended December 31, 2009 or 2008.

As discussed in Note 1 and Note 3, depreciation expense has not been recorded for property and equipment. In our opinion, 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. The effect on the financial statements of the preceding practice is not reasonably determinable.

As discussed in Note 1, the Town of Erwin Industrial Development 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. In our opinion, for these financial statements to be a complete presentation in accordance with accounting principles generally accepted in the United States of America these activities must be included. The effect on the financial statements of the preceding practice is not reasonably determinable.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit land cost and accrued expenses, and except for the effect of not recording depreciation expense, and infrastructure activities, as discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the net assets of the Town of Erwin Industrial Development Agency as of December 31, 2009, its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2010, 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, 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* and important for assessing the results of our audit.

The Town of Erwin Industrial Development Agency has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined necessary to supplement, although not required to be part of the basic financial statements. A Management's Discussion and Analysis is not required by the Uniform System of Accounts for Industrial Development Agencies.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Erwin Industrial Development Agency's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Town of Erwin Industrial Development Agency. 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 a whole.

A handwritten signature in black ink that reads "EFP Rotenberg, LLP". The signature is written in a cursive, flowing style.

EFP Rotenberg, LLP
Rochester, New York
September 16, 2010

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Statement of Net Assets
December 31, 2009

	<u>Airport Fund</u>	<u>Three Rivers Corp. Fund</u>	<u>Town of Erwin Fund</u>	<u>Total All Funds</u>
ASSETS				
Assets				
Cash and cash equivalents	\$ 267,156	\$ 6,159	\$ -	\$ 273,315
Cash - savings	-	162,747	-	162,747
Restricted cash	-	-	75,827	75,827
Property and equipment - net	8,980,678	195,000	-	9,175,678
Other assets	<u>-</u>	<u>965</u>	<u>-</u>	<u>965</u>
Total Assets	<u>\$ 9,247,834</u>	<u>\$ 364,871</u>	<u>\$ 75,827</u>	<u>\$ 9,688,532</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Due to other governments	\$ 240,028	\$ -	\$ 75,827	\$ 315,855
Accounts payable	65,344	-	-	65,344
Accrued expenses	-	40,142	-	40,142
Total liabilities	<u>305,372</u>	<u>40,142</u>	<u>75,827</u>	<u>421,341</u>
Net Assets				
Restricted	-	324,729	-	324,729
Unrestricted	<u>8,942,462</u>	<u>-</u>	<u>-</u>	<u>8,942,462</u>
Total net assets	<u>8,942,462</u>	<u>324,729</u>	<u>-</u>	<u>9,267,191</u>
Total Liabilities and Net Assets	<u>\$ 9,247,834</u>	<u>\$ 364,871</u>	<u>\$ 75,827</u>	<u>\$ 9,688,532</u>

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

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Statement of Activities
For the Year Ended December 31, 2009

	<u>Airport Fund</u>	<u>Three Rivers Corp. Fund</u>	<u>Town of Erwin Fund</u>	<u>Total All Funds</u>
Revenues				
Federal development grants	\$ 976,946	\$ -	\$ -	\$ 976,946
State development grants	135,714	-	-	135,714
Fees	8,652	-	-	8,652
Interest income	<u>-</u>	<u>3,479</u>	<u>-</u>	<u>3,479</u>
Total revenues	<u>1,121,312</u>	<u>3,479</u>	<u>-</u>	<u>1,124,791</u>
Expenses				
Administrative	<u>24,950</u>	<u>12,950</u>	<u>-</u>	<u>37,900</u>
Total expenses	<u>24,950</u>	<u>12,950</u>	<u>-</u>	<u>37,900</u>
Change in Net Assets	1,096,362	(9,471)	-	1,086,891
Net Assets - Beginning	<u>7,846,100</u>	<u>334,200</u>	<u>-</u>	<u>8,180,300</u>
Net Assets - Ending	<u>\$ 8,942,462</u>	<u>\$ 324,729</u>	<u>\$ -</u>	<u>\$ 9,267,191</u>

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

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Statement of Cash Flows
Airport Fund
For the Year Ended December 31, 2009

Cash Flows from Operating Activities	
Federal and state grants	\$ 1,112,660
Fees	8,652
Administrative expenditures	<u>(3,950)</u>
Net cash provided by operating activities	<u>1,117,362</u>
Cash Flow from Noncapital Financing Activities	
Loans from other government	<u>38,000</u>
Net cash provided by noncapital financing activities	<u>38,000</u>
Cash Flows from Investing Activities	
Land and project expenditures	<u>(982,993)</u>
Net cash used for investing activities	<u>(982,993)</u>
Net Increase in Cash and Cash Equivalents	172,369
Cash and Cash Equivalents - Beginning	<u>94,787</u>
Cash and Cash Equivalents - Ending	<u>\$ 267,156</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities	
Change in net assets	\$ 1,096,362
Change in liabilities	
Increase in accounts payable	<u>21,000</u>
Net Cash Provided By Operating Activities	<u>\$ 1,117,362</u>

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

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Town of Erwin Industrial Development Agency (TEIDA) of Erwin, New York 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 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) that is dedicated to the Town of Erwin 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.

Measurement Focus and Basis of Accounting - The accounts of TEIDA are maintained on the accrual basis of accounting, in conformity with the Uniform System of Accounts for Industrial Development Agencies published by the New York State Office of the State Comptroller.

Under the accrual basis of accounting, revenues and expenses are identified with specific periods of time, and are recorded as incurred, along with acquired assets and/or liabilities incurred without regard to the date of receipt or payment of cash. The measurement focus refers to what is being recognized in the financial statements. In proprietary accounting, the measurement focus is the same as in commercial enterprises, namely the flow of economic resources. This includes the capitalization of fixed assets, charging depreciation expense and recording long term debt as a fund liability. Depreciation has not been provided in the financial statements of TEIDA.

Effective for 2008 a legally adopted budget must be submitted to the New York State.

In June of 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis of State and Local Governments". This statement was adopted as of January 1, 2004 and is reflected in these financial statements. A Management's Discussion and Analysis (MD&A) is not a required part of the financial statements but is supplementary information required by GASB. An MD&A is not required by the Uniform System of Accounts for Industrial Development Agencies and has not been presented.

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.

Investment Policy - TEIDA has a formal investment policy approved by the Board of Directors that defines permitted investments and establishes collateralization requirements for all investments.

Governance - TEIDA also has a procurement policy, disposition of real property guidelines, defense and indemnification policy, a compensation, reimbursement and attendance policy, by-laws, a code of ethics and a whistleblower policy. TEIDA has also established an audit committee and a governance committee.

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

Restricted Cash - This account is used to show cash balances restricted for use. This account, while legally owned by TEIDA, represents agency funds administered by TEIDA for capital projects performed for the Town of Erwin. These capital projects are recorded by the Town of Erwin and represents assets of the Town. A liability has been recorded for this account.

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.

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 for the benefit of the CPLA Fire District.

Note 2. Related Party Transactions

Bond Anticipation Note - In September 2007 the Town of Erwin issued a bond anticipation note in the amount of \$755,000 for two specific projects at the airport; one for \$330,000 for a terminal building and one for \$425,000 for security fencing. Each project was funded through New York State grants, however, TEIDA was required to fund project expenses in advance of receiving State funding. The bond anticipation note issued by the Town of Erwin provided the necessary cash flow for these projects.

The bond anticipation note was due in September 2008 and then repaid through a new bond borrowed by the Town of Erwin. The bond anticipation note bears interest at 3.61%. The Town of Erwin did not pay any interest relating to the bond anticipation note in the year ended December 31, 2009.

Due to Other Governments - The amount of \$240,028 due to other governments is due to the Town of Erwin. These borrowings related to the bond anticipation note and bond interest and non-interest bearing advances.

Note 3. Property and Equipment

Property and equipment consists of the following at December 31, 2009:

Land - Airport Fund	\$ 1,431,798
Land Improvements - Airport Fund	4,992,116
Buildings - Airport Fund	340,875
Equipment - Airport Fund	158,840
Construction in Progress - Airport Fund	2,057,049
Land - Three Rivers Corp. Fund	<u>195,000</u>
Sub-total	9,175,678
Less, accumulated depreciation	<u>-</u>
Total property and equipment, net	<u>\$ 9,175,678</u>

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

Note 4. In-Kind Contributions

TEIDA does not record in-kind contributions.

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 5. Legal Matters

TEIDA was the petitioner in several actions resulting from the eminent domain acquisition of certain parcels of property, whereby the respondents have claimed additional compensation related to the acquisitions. In January, 2009, one such action was resolved requiring TEIDA to pay an additional \$37,500. This settlement has been reflected in the financial statements as of December 31, 2008. In March, 2010 another such action was resolved requiring TEIDA to pay an additional \$18,500. The full amount of this was approved by the Federal Aviation Administration and the project grant was amended to completely cover the additional amount paid. The settlement of this action and the additional project funding will be recorded in 2010.

Note 6. Concentrations of Credit Risk

As required by the investment policy, collateral is required for time deposits and certificates of deposit not covered by the Federal Deposit Insurance Corporation. 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 towns. As of December 31, 2009, TEIDA accounts were fully collateralized.

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation: Airport Improvement Project	20.106	\$ <u>768,595</u>

The accompanying notes are an integral part of this schedule.

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Erwin IDA, an entity as defined in the general purpose financial statements. The information in this schedule was prepared on the accrual basis of accounting and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2. Reporting Entity

The amounts reported as federal expenditures generally were obtained from federal financial reports for the applicable program and period. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger, which is the source of the general purpose financial statements.



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 the financial statements of the Town of Erwin Industrial Development Agency as of and for the year ended December 31, 2009, and have issued our report dated September 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Erwin Industrial Development Agency's internal control over financial reporting 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 Town of Erwin Industrial Development Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Erwin Industrial Development Agency's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Town of Erwin 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
September 16, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Town of Erwin Industrial Development Agency, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Town of Erwin Industrial Development Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Erwin Industrial Development Agency's management. Our responsibility is to express an opinion on the Town of Erwin Industrial Development Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Erwin Industrial Development Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Erwin Industrial Development Agency's compliance with those requirements.

In our opinion, the Town of Erwin Industrial Development Agency, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the Town of Erwin Industrial Development Agency, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Erwin Industrial Development Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Erwin Industrial Development Agency's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Erwin Industrial Development Agency's internal control over compliance.

A *deficiency in internal control over compliance* 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
September 16, 2010

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

SUMMARY OF AUDITOR'S RESULTS:

1. The auditors' report expresses a qualified opinion on the financial statements of the Town of Erwin Industrial Development Agency.
2. No material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Town of Erwin Industrial Development Agency were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for the Town of Erwin Industrial Development Agency expresses an unqualified opinion on major federal programs.
5. There were no material weaknesses noted relative to the major federal award programs for the Town of Erwin Industrial Development Agency reported in this schedule.
6. The program tested as a major program is:

U.S. Department of Transportation - Airport Improvement Project - CFDA No. 20.106
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The Town of Erwin Industrial Development Agency was determined to be a high-risk auditee.

FINDINGS

None

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2009

FINDINGS - FINANCIAL STATEMENT AUDIT

FINDING 2008-1

Significant Deficiency in Internal Control Over Financial Reporting - Auditor Involvement with Financial Statements / Client Expertise in Accounting and Financial Reporting: Although we as auditors are involved in the process of drafting the financial statements and related footnotes, 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 financial statements. In our judgment, the absence of our involvement in the preparation of the financial statements, including all necessary footnotes, would result in material misstatements that would not be prevented or detected by the Town of Erwin Industrial Development Agency.

Recommendation: The Town of Erwin Industrial Development Agency can continue to utilize its auditors with assistance in the preparation of the financial statements, but we will be required to report this deficiency each year that our judgment remains the same.

Management Response: The Town of Erwin Industrial Development Agency has upgraded its records and bookkeeping methods to include trial balance, ledger and all other controls in the financial statements.

Status: The Town of Erwin Industrial Development Agency has upgraded its records and bookkeeping methods to include trial balance, ledger and all other controls in the financial statements, and this finding is considered resolved.

FINDING 2008-2

DEPARTMENT OF TRANSPORTATION
Airport Improvement Project - CFDA No. 20.106

Criteria: Each recipient of federal funding for Airport Improvement must comply with the requirements of the program, including the performance of a Single Audit, in order to determine whether or not there is compliance with provisions of the act and applicable laws and regulations.

Condition: The Town of Erwin Industrial Development Agency, the recipient of the grant, has been receiving federal funding and performing improvements at its airport since 2002. The funding levels required Single Audits in 2002, 2005, 2006, 2007 and 2008. A Single Audit was performed for each year, however, these audits were not completed in a timely manner.

Effect: The Town of Erwin Industrial Development Agency did not fulfill its requirement under the grant.

Recommendation: The Town of Erwin Industrial Development Agency should perform all Single Audits in a timely manner whenever required.

Status: All required Single Audits are now up to date, and this finding is considered resolved.