

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the Town of Erwin Industrial Development 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.

Auditors' 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 auditors' 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, 2017, 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

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 23, 2018, 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
Corning, New York
March 23, 2018

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Statement of Net Position
December 31, 2017

	<u>TEIDA Fund</u>	<u>Airport Fund</u>	<u>Total All Funds</u>
ASSETS			
Assets			
Cash and cash equivalents	\$ 65,151	\$ 271,688	\$ 336,839
Due from other governments	<u>-</u>	<u>20,784</u>	<u>20,784</u>
Total current assets	65,151	292,472	357,623
Property and Equipment - Net	<u>195,000</u>	<u>11,321,394</u>	<u>11,516,394</u>
Total Assets	<u>\$ 260,151</u>	<u>\$ 11,613,866</u>	<u>\$ 11,874,017</u>
LIABILITIES AND NET POSITION			
Liabilities			
Due to other governments	\$ 8,637	\$ -	\$ 8,637
Accounts payable	-	12,815	12,815
Other accrued liabilities	<u>-</u>	<u>4,304</u>	<u>4,304</u>
Total liabilities	<u>8,637</u>	<u>17,119</u>	<u>25,756</u>
Net Position			
Net investment in capital assets	195,000	11,321,394	11,516,394
Unrestricted	<u>56,514</u>	<u>275,353</u>	<u>331,867</u>
Total net position	<u>251,514</u>	<u>11,596,747</u>	<u>11,848,261</u>
Total Liabilities and Net Position	<u>\$ 260,151</u>	<u>\$ 11,613,866</u>	<u>\$ 11,874,017</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, 2017

	<u>TEIDA Fund</u>	<u>Airport Fund</u>	<u>Total All Funds</u>
Revenue			
Federal development grants	\$ -	\$ 214,673	\$ 214,673
State development grants	-	11,926	11,926
Fees and rental income	-	8,035	8,035
Lease income	-	<u>30,435</u>	<u>30,435</u>
Total revenue	-	265,069	265,069
Expense			
Administrative	<u>25,051</u>	<u>7,653</u>	<u>32,704</u>
Change in Net Position	(25,051)	257,416	232,365
Net Position - Beginning	<u>276,565</u>	<u>11,339,331</u>	<u>11,615,896</u>
Net Position - Ending	<u>\$ 251,514</u>	<u>\$ 11,596,747</u>	<u>\$ 11,848,261</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, 2017

	<u>TEIDA Fund</u>	<u>Airport Fund</u>	<u>Total All Funds</u>
Cash Flow from Operating Activities			
Cash receipts from federal and state grants	\$ -	\$ 233,365	\$ 233,365
Cash receipts from fees and other income	-	34,148	34,148
Cash paid for operating expenses	<u>(25,051)</u>	<u>(17,595)</u>	<u>(42,646)</u>
Net cash flow from operating activities	<u>(25,051)</u>	<u>249,918</u>	<u>224,867</u>
Cash Flow from Noncapital Financing Activities			
Loans from other governments	<u>-</u>	<u>(18,913)</u>	<u>-</u>
Net cash flow from noncapital financing activities	<u>-</u>	<u>(18,913)</u>	<u>(18,913)</u>
Cash Flow from Investing Activities			
Land and project expenditures	<u>-</u>	<u>(238,525)</u>	<u>-</u>
Net cash flow from investing activities	<u>-</u>	<u>(238,525)</u>	<u>(238,525)</u>
Net Change in Cash and Cash Equivalents	(25,051)	(7,520)	(32,571)
Cash and Cash Equivalents - Beginning	<u>90,202</u>	<u>279,208</u>	<u>369,410</u>
Cash and Cash Equivalents - Ending	\$ <u>65,151</u>	\$ <u>271,688</u>	\$ <u>336,839</u>
Reconciliation of Operating Income (Loss) to Net Cash Flow from Operating Activities			
Operating income (loss)	\$ (25,051)	\$ 257,416	\$ 232,365
Change in assets and liabilities:			
Change in other accrued liabilities	-	(4,322)	(4,322)
Change in accounts payable	-	(9,942)	(9,942)
Change in due from other governments	<u>-</u>	<u>6,766</u>	<u>6,766</u>
Net Cash Flow from Operating Activities	\$ <u>(25,051)</u>	\$ <u>249,918</u>	\$ <u>224,867</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 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, 2017, 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

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.

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.

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.

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

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, 2017 all of the Agency's deposits were fully collateralized.

Note 3. Property and Equipment

Property and equipment consisted of the following at December 31, 2017:

	<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	-	481,610	481,610
Total property and equipment - net	<u>\$ 195,000</u>	<u>\$ 11,321,394</u>	<u>\$ 11,516,394</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, 2017:

Due from other governments - Federal	\$ 19,665
Due form other governments - NYSDOT	1,119
Total	<u>\$ 20,784</u>

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

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, 2017:

Town of Erwin \$ 8,637

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, 2017:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Operating expenditures	\$ 256,000	\$ -	\$ 256,000
Administrative	<u>6,365</u>	<u>32,704</u>	<u>(26,339)</u>
Total	<u>\$ 262,365</u>	<u>\$ 32,704</u>	<u>\$ 229,661</u>

The budget to actual difference shown above for operating expenditures is due to capital assets being included as capital expenditures for budgeting purposes. The difference in administrative relates to underbudgeted expenses in 2017.

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

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 \$31,374 each of the next five years.

Note 9. Risk Management

TEIDA is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; and natural disasters.

TEIDA carries commercial insurance for these and other risks of loss including general liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 10. Subsequent Event

Subsequent to year end, on March 5, 2018, TEIDA approved a purchase and sale agreement to buy the maintenance building at the airport from Joe Costa for \$153,000. The closing is not yet scheduled.

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, 2017, 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 23, 2018.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider necessary to be material weaknesses. We did identify a deficiency in internal control, described as 2017-001 in the accompanying schedule of findings and responses to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
Corning, New York
March 23, 2018

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Schedule of Findings and Responses
For the Year Ended December 31, 2017

FINDINGS - FINANCIAL STATEMENT AUDIT

FINDING 2017-001 - INTERNAL CONTROL OVER FINANCIAL REPORTING

Significant Deficiency - Multiple Journal Entries: During the audit, it was necessary to make multiple 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 misstatement in the general ledger and in the financial statements.

Recommendation: During the year ended December 31, 2017, the Agency established year end close procedures which reduced the number of adjusting entries required to be posted during the audit. We recommend these procedures be expanded to include the proper posting of all receivables and payables as well as the posting of additions to capital assets. The closing checklist should be expanded to include these items to ensure the accounting records are on a full accrual basis.

Management Response: *The Comptroller's rules for accounting for Authorities differs from the official Accounting Reporting Manual in that Authorities' accounting must be on an accrual basis rather than a modified accrual basis. As our bookkeeper is new to Authority accounting procedures, she did not capture full accrual entries. Training will be provided and entries will be corrected in 2018.*

FINDINGS - COMPLIANCE AND OTHER MATTERS

NONE

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2017

FINDINGS - FINANCIAL STATEMENT AUDIT

FINDING 2016-001 - INTERNAL CONTROL OVER FINANCIAL REPORTING

Material Weakness - Material Journal Entries: During our 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.

Status: This finding was changed to a significant deficiency during the current year.

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.

Status: This finding was resolved during the current year.