

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2012

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Erwin Community Development Agency, which comprise the statement of financial position as of December 31, 2012, and the related statement of activities, and cash flows, for the year then ended and the related notes to the financial statements.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Erwin Community Development Agency as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013, on our consideration of the Town of Erwin Community 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 Town of Erwin Community Development Agency's internal control over financial reporting and compliance.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
March 28, 2013

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Statement of Net Assets
December 31, 2012

ASSETS

Assets

Cash and cash equivalents	\$ 105,908
Certificate of deposit	108,364
Prepaid expense	984
Property and equipment - net	<u>18,783</u>
Total Assets	<u>\$ 234,039</u>

NET ASSETS

Liabilities

Due to other governments	<u>\$ 200</u>
Total Liabilities	<u>200</u>
Net Assets - Unrestricted	<u>233,839</u>
Total Net Assets	<u>\$ 234,039</u>

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

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Statement of Activities
For the Year Ended December 31, 2012

Revenues	
Rental income	\$ 14,500
Payment in lieu of taxes income	76,006
Interest income	890
Intergovernmental revenues	<u>280,539</u>
Total revenues	<u>371,935</u>
Expenses	
Salaries	286,971
Employee benefits	13,629
Depreciation	1,980
Other expense	<u>10,144</u>
Total expenses	<u>312,724</u>
Change in Net Assets	59,211
Net Assets - Beginning	<u>174,628</u>
Net Assets - Ending	<u>\$ 233,839</u>

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

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Statement of Cash Flows
For the Year Ended December 31, 2012

Cash Flows from Operating Activities	
Cash received from operating income	\$ 90,506
Interest received	890
Cash received from intergovernmental revenues	280,539
Payments of salaries and employee benefits	(305,435)
Payments of other expenses	(10,144)
Net cash flows from operating activities	<u>56,356</u>
Cash Flows from Investing Activities	
Change in certificate of deposit	<u>(714)</u>
Net Change in Cash and Cash Equivalents	55,642
Cash and Cash Equivalents - Beginning	<u>50,266</u>
Cash and Cash Equivalents - Ending	<u>\$ 105,908</u>
Reconciliation of Change in Net Assets to Net Cash Flows from Operating Activities	
Change in net assets	\$ 59,211
Adjustments	
Depreciation	1,980
Changes in assets and liabilities	
Due to other governments	200
Accrued liabilities	(4,051)
Net cash flows from operating activities	<u>\$ 56,356</u>

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

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Nature of Organization

Nature of the Organization - The Town of Erwin Community Development Agency (the Organization) is a local development corporation created August 1, 1975 pursuant to Article 15-B, Title 87 of New York State General Municipal Law. The purpose of the Organization is to accomplish any or all of the purposes specified in Article XV and XV-A of General Municipal Law. The Organization is a governmental agency separate and distinct from the Town of Erwin, New York (the Town), however, it functions as the Town's Community Development Department. The Organization has a board consisting of the Town supervisor and four members of the Town Board, and is included in the Annual Update Document prepared by the Town and filed with New York State.

The Town provides funding to the Organization through interfund transfers which are recorded in revenue as received.

The Town 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 Organization covered through the system are provided by the Town at no cost to the Organization. Most employee benefits and all payroll taxes are also paid by the Town.

The Organization rents its offices on a month-to-month basis from the Town at a cost of \$100 per month. The Organization also rents a building to T&R Contracting and Storage on a month-to-month basis.

Method of Accounting - The Organization maintains its books and prepares its financial statements on the accrual basis of accounting.

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 prepares its financial statements in accordance with Accounting Standards Codification (ASC) 958-205, Financial Statements of Not-for-Profit Organizations. Under ASC 958-205, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. At December 31, 2012, the Agency did not have any temporarily restricted or permanently restricted net assets.

Unrestricted Net Assets - Unrestricted net assets represent net assets that are not subject to donor imposed stipulations and are generally available for support of the Agency's activities. The Board of Directors has discretionary control over these resources to carry out the operations of the Agency in accordance with its by-laws.

Cash and Cash Equivalents - For purposes of the statement of financial position and statement of cash flows, cash and cash equivalents includes commercial paper, cash in money market funds, certificates of deposit and all highly liquid investments with original maturities of six months or less. The Organization maintains cash and cash equivalents at financial institutions which periodically may exceed federally insured limits.

Investment Policy - The Organization has an investment policy approved by the Board of Directors that defines permitted investments and establishes collateralization requirements for all investments.

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

Property and Equipment - Property and equipment is stated at the lower of cost or fair market value at the date of purchase, less accumulated depreciation. Routine maintenance and repairs are charged to operations as they are incurred. Expenditures which extend the useful life of an asset in excess of \$500 are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated and the resulting gain or loss, if any, is included in operations. Depreciation is computed using the straight-line method over the following estimated useful lives.

Land	Not depreciable
Building	25 Years

Depreciation expense amounted to \$1,980 for the year ended December 31, 2012.

Income Taxes - The Agency is a not-for-profit corporation and is exempt from income tax under New York State Article 14 as a local development corporation. Accordingly, no provision for taxes has been made.

In accordance with ASC 740-10-50, Accounting for Uncertainty in Income Taxes, the Organization recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. Management believes that the Organization is currently operating in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no liability for unrecognized tax benefits has been included on the Organization's financial statements.

Subsequent Events - In accordance with ASC 855-10, the Agency evaluated subsequent events through March 28, 2013, the date these financial statements were available to be issued.

Note 2. Property and Equipment

Property and equipment consisted of the following at December 31, 2012:

Land	\$ 5,500
Building	<u>49,500</u>
Sub-total	55,000
Less - accumulated depreciation	<u>(36,217)</u>
Property and equipment - net	<u>\$ 18,783</u>



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Town of Erwin Community 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 Community Development Agency as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town of Erwin Community Development Agency's basic financial statements, and have issued our report thereon dated March 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Erwin Community 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 Community Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Erwin Community 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Erwin Community Development Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
March 28, 2013