

**TOWN OF ERWIN COMMUNITY
DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2016**

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY

TABLE OF CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
STATEMENTS OF NET POSITION	3
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 - 13
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
SCHEDULE OF AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	14
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS	15
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	16
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 <i>GOVERNMENT AUDITING STANDARDS</i>	17 - 18
SCHEDULE OF FINDINGS AND RESPONSES	19 - 20

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Town of Erwin Community Development Agency as of and for the years ended December 31, 2016 and 2015, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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, 2016 and 2015, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Correction of Error

As indicated in Note 7, the December 31, 2015 financial statements have been restated to correct an error in due to and due from other governments. Our opinion is not modified with respect to this matter.

Required Supplementary Information

The Town of Erwin Community Development Agency has omitted the 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 modified by this matter.

Accounting principles generally accepted in the United States of America require that the schedule of the agency's proportionate share of the net pension liability on page 14 and the schedule of employer's contributions on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 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 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 Community 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 COMMUNITY DEVELOPMENT AGENCY
Statements of Net Position
December 31, 2016 and 2015

	<u>2016</u>	<u>Restated 2015</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	\$ 21,880	\$ 136,853
Due from other governments	<u>155,869</u>	<u>70,296</u>
Total current assets	177,749	207,149
Deferred Outflows of Resources	<u>126,300</u>	<u>54,405</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 304,049</u>	<u>\$ 261,554</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Long-Term Liabilities		
Net pension liability	\$ 84,180	\$ 21,963
Deferred Inflows of Resources	12,676	-
Net Position - Unrestricted	<u>207,193</u>	<u>239,591</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 304,049</u>	<u>\$ 261,554</u>

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

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>Restated 2015</u>
Revenues		
State aid	\$ 17,860	\$ 70,846
Intergovernmental revenue	170,997	146,893
Unclassified revenue	-	54
Interest income	229	162
Gain on sale of fixed assets	-	16,333
Total revenues	<u>189,086</u>	<u>234,288</u>
Expenses		
Salaries	150,313	134,346
Employee benefits	11,379	18,946
Depreciation	-	1,155
Grants and awards expense	17,860	70,883
Other expense	6,200	4,975
Pension expense	35,732	24,460
Total expenses	<u>221,484</u>	<u>254,765</u>
Change in Net Position	(32,398)	(20,477)
Net Position - Beginning	<u>239,591</u>	<u>260,068</u>
Net Position - Ending	<u>\$ 207,193</u>	<u>\$ 239,591</u>

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

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>Restated 2015</u>
Cash Flows from Operating Activities		
Cash received from operating income	\$ 103,284	\$ 128,398
Payments of salaries and employee benefits	(194,426)	(184,847)
Payments of other expenses	-	(4,975)
Payments of grant expenditures	(24,060)	(70,883)
Net cash flows from operating activities	<u>(115,202)</u>	<u>(132,307)</u>
Cash Flows from Investing Activities		
Proceeds from sale of land and building	-	30,000
Proceeds from certificate of deposit	-	109,084
Interest income	229	162
Net cash flows from investing activities	<u>229</u>	<u>139,246</u>
Net Change in Cash and Cash Equivalents	(114,973)	6,939
Cash and Cash Equivalents - Beginning	<u>136,853</u>	<u>129,914</u>
Cash and Cash Equivalents - Ending	<u>\$ 21,880</u>	<u>\$ 136,853</u>
Reconciliation of Change in Net Position to Net Cash Flows from Operating Activities		
Change in net position	\$ (32,398)	\$ (20,477)
Adjustments		
Depreciation	-	1,155
Gain on sale of fixed assets	-	(16,333)
Interest income	(229)	(162)
Changes in assets and liabilities		
Due from other governments	(85,573)	(70,296)
Due to other governments	-	(19,100)
Net pension liability	2,998	(7,094)
Net cash flows from operating activities	<u>\$ (115,202)</u>	<u>\$ (132,307)</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 the Agency

Nature of the Agency - The Town of Erwin Community Development Agency (the "Agency") 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 Agency is to accomplish any or all of the purposes specified in Article XV and XV-A of General Municipal Law. The Agency 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 Agency 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.

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, personnel, and depreciation. This includes the capitalization of fixed assets and recording long term debt as a fund liability.

Estimates - The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management with consideration given materiality. Actual results may 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 agency's 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 and 2015, the Agency did not have any 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.

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

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

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 - In 2015, the Agency sold its building and land for \$30,000. Depreciation expense amounted to \$- and \$1,155 for the years ended December 31, 2016 and 2015, respectively.

Grant Income and Expense - The Agency has costs relating to the Town of Erwin Sidewalk Project (TEP) and the Safe Routes to School: Erwin Valley School Walking & Biking Safety Improvements Project (SRTS). These projects are both federally funded projects passed through the New York State Department of Transportation and when the projects are completed they will be owned by the Town.

Accounting and Financial Reporting for Pensions - The Agency complies with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment to 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*. The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements requires the Agency to report as a liability its portion of the collective pension liability in the New York State and Local Employees' Retirement System. The implementation of the Statements also requires the Agency to report a deferred outflow and/or inflow for the effect of the net change in the Agency's proportion of the collective net pension liability and difference during the measurement period between the Agency's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow is the Agency contributions to the pension system subsequent to the measurement date. See Note 6 for the financial statement impact of implementation of the Statements.

Deferred Outflows and Inflows of Resources - In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. The first item is related to pensions reported in the statements of net position. This represents the effect of the net change in the Agency's proportion of the collective net pension liability and difference during the measurement period between the Agency's contributions and its proportion share of total contributions to the pension system not included in pension expense. Second is the Agency contributions to the pension system subsequent to the measurement date.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has one item that qualifies for reporting in the category. That item is related to the Agency's proportion of the collective net pension liability and difference during the measurement period between the Agency's contributions and its proportion share of total contributions to the pension system not included in pension expense.

Subsequent Events - Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

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 Executive Director.

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.

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 and 2015, all of the Agency's deposits were fully collateralized under FDIC insurance.

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

Note 3. Due from Other Governments

The Agency reports amounts as due from other governments, which consisted of funds claimed but not received from state and/or 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 as of December 31:

	<u>2016</u>	<u>Restated 2015</u>
Due from Town of Erwin	\$ 136,698	\$ -
Due from New York State Department of Transportation	<u>19,171</u>	<u>70,296</u>
Total Due from Other Governments	<u>\$ 155,869</u>	<u>\$ 70,296</u>

Note 4. Concentration in Revenue Sources

During 2016, the Agency received approximately 90% of its total revenue in the form of support from the Town of Erwin.

During 2015, the Agency received approximately 63% and 30% of its total revenue in the form of support from the Town of Erwin and the New York State Department of Transportation, respectively.

Note 5. Related Parties and Related Party Transactions

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

The Agency rents its offices on a month-to-month basis from the Town of Erwin at a cost of \$100 per month.

Note 6. Employee Benefit Plan

Plan Description and Funding Policy

The Agency participates in the New York State and Local Employees' Retirement System (the System). This is a cost-sharing multiple-employer defined benefit retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2016	\$	32,734
2015	\$	31,555
2014	\$	54,726

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in reports provided to the Agency. At December 31, 2016 and 2015, the Agency reported the following liability for its proportionate share of the net pension liability for the System, which was measured as of March 31, 2016 and March 31, 2015, respectively:

	<u>2016</u>	<u>2015</u>
Actuarial valuation date	4/1/2015	4/1/2014
Net pension liability	\$ 84,180	\$ 21,963
Agency's portion of the Plan's total net pension liability	0.0005245 %	0.0006502 %

For the years ended December 31, 2016 and 2015, the Agency's recognized pension expense of \$35,732 and \$24,460, respectively. At December 31, 2016 and 2015, the Agency's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2016</u>		
Differences between expected and actual experience	\$ 425	\$ 9,978
Changes in assumptions	22,449	-
Net difference between projected and actual investment earnings on pension plan investments	49,941	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,751	2,698
Employer contributions subsequent to the measurement date	<u>32,734</u>	<u>-</u>
Total	<u>\$ 126,300</u>	<u>\$ 12,676</u>
<u>2015</u>		
Differences between expected and actual experience	\$ 703	\$ -
Net difference between projected and actual investment earnings on pension plan investments	3,815	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,332	-
Employer contributions subsequent to the measurement date	<u>31,555</u>	<u>-</u>
Total	<u>\$ 54,405</u>	<u>\$ -</u>

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016 and 2015, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the fiscal years ending December 31:

2017	\$	21,596
2018	\$	21,596
2019	\$	21,596
2020	\$	16,102

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>2016</u>	<u>2015</u>
Measurement date	3/31/2016	3/31/2015
Actuarial valuation date	4/1/2015	4/1/2014
Interest rate	7.0%	7.5%
Salary scale (average)	3.8%	4.9%
Inflation	2.5%	2.7%
Decrement table	Society of Actuaries Scale MP- 2014 April 1, 2010 - March 31, 2015 System's Experience	Society of Actuaries Scale MP- 2014 April 1, 2005 - March 31, 2010 System's Experience

The actuarial valuation as of March 31, 2016 used the actuarial assumption of annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. The actuarial valuation as of March 31, 2015 used the actuarial assumption of annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation for both of the years ended December 31, 2016 and 2015 are summarized below:

<u>Asset Type</u>	<u>Long Term Expected Real Rate</u>
Domestic equity	7.3 %
International equity	8.6 %
Private equity	11.0 %
Real estate	8.3 %
Absolute return strategies	6.8 %
Opportunistic portfolio	8.6 %
Real assets	8.7 %
Bonds and mortgages	4.0 %
Cash	2.3 %
Inflation-indexed bonds	4.0 %

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% and 7.5% for the years ended December 31, 2016 and 2015, respectively. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate assumption

The following presents the Agency's proportionate share of the net pension liability as of December 31, 2016, calculated using the discount rate of 7.0% per annum (the "current assumption"), as well as what the Agency's proportionate share of the net position liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Town of Erwin Community Development Agency's proportionate share of the net pension liability	\$ 189,823	\$ 84,180	\$ (5,081)

The following presents the Agency's proportionate share of the net pension liability as of December 31, 2015, calculated using the discount rate of 7.5% per annum (the "current assumption"), as well as what the Agency's proportionate share of the net position liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Assumption <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Town of Erwin Community Development Agency's proportionate share of the net pension liability	\$ 146,397	\$ 21,963	\$ (83,089)

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of valuation date was as follows:

	<u>2016</u>	<u>2015</u>
Valuation date	4/1/2015	4/1/2014
Employers' total pension liability	\$ 172,303,544,000	\$ 164,591,504,000
Plan net position	<u>(156,253,265,000)</u>	<u>(161,213,259,000)</u>
Employers' net pension liability	<u>\$ 16,050,279,000</u>	<u>\$ 3,378,245,000</u>
 Ratio of plan net position to the employers' total pension liability	 90.7 %	 97.9 %

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

Note 7. Reclassifications

Certain reclassifications have been made to the December 31, 2015 financial statement presentation to correspond to the current year's format. Net position and changes in net position are unchanged due to these reclassifications.

Note 8. Restatement

The 2015 financial statements have been restated to properly reflect due from other governments. The result of this restatement has increased total net position by \$12,938.

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Schedule of Agency's Proportionate Share of the Net Pension Liability
For The Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
The Agency's proportion of the net pension liability	0.0005245 %	0.0006502 %	0.0006502 %
The Agency's proportionate share of the net pension liability	\$ 84,180	\$ 21,963	\$ 29,379
The Agency's covered employee payroll	\$ 150,313	\$ 137,722	\$ 208,711
The Agency's proportionate share of the net pension liability as a percentage of covered employee payroll	56.00 %	15.95 %	14.08 %
Plan fiduciary net position as a percentage of the total pension liability	90.70 %	97.90 %	97.20 %

See accompanying notes to required supplementary information.

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Schedule of Employer's Contributions
For The Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 32,734	\$ 31,555	\$ 54,726	\$ 67,918	\$ 39,537	\$ 29,517	Not available	Not available	Not available	Not available
Contribution in relation to the contractually required contribution	<u>32,734</u>	<u>31,555</u>	<u>54,726</u>	<u>67,918</u>	<u>39,537</u>	<u>29,517</u>	Not available	Not available	Not available	Not available
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Contribution as a percentage of covered employee payroll	21.78 %	22.91 %	25.80 %	23.39 %	13.78 %	10.85 %				

See accompanying notes to required supplementary information.

TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY
Notes to Required Supplementary Information
For The Year Ended December 31, 2016

Note 1. Schedule of Agency's Proportionate Share of the Net Pension Liability and Schedule of Employer's Contributions

The information presented in these required supplementary schedule was determined as part of the audit of the New York State Employees' Retirement System Plan. Additional information for the pension schedules can be found in the notes to the financial statements.

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

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, 2016, 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 15, 2017.

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 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 and 2016-002 in the accompanying summary schedule of findings to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Erwin Community 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 2016-003.

Town of Erwin Community Development Agency's Response to Findings

The Town of Erwin Community Development Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Erwin Community Development Agency's responses were 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 agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the agency'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 COMMUNITY DEVELOPMENT AGENCY
Schedule of Findings and Responses
For the Year Ended December 31, 2016

FINDINGS - FINANCIAL STATEMENT AUDIT

FINDING 2016-001 - INTERNAL CONTROL OVER FINANCIAL REPORTING

Material Weakness - Material Journal Entries: During the current year 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.

FINDING 2016-002 - INTERNAL CONTROL OVER CASH

Material Weakness - Backdating Checks: During the current year audit, it was noted that checks produced in January 2017 were backdated using a December 2016 date. These checks were then included in the list of December 31, 2016, outstanding checks as if they had been actually cut in December. Proper cutoff is extremely critical in all aspects of accounting. Any process or procedure that holds the books open or closes them in advance will yield inaccurate financial results.

Recommendation: We recommend that all check disbursements be dated in sequence using the date the check is actually produced.

Management Response: The transition caused confusion especially in proceeding from the notes left by the contractor, and although the transfers had been authorized by the Board, the cash was not moved before the end of the year. The new bookkeeper erred in recording the transaction. Training has occurred and procedures are in place to ensure compliant entries.

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

FINDINGS - COMPLIANCE AND OTHER MATTERS

FINDING 2016-003 - 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.*