

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2013

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, 2013, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

In addition, as discussed in Note 1 and Note 3, depreciation expense has not been recorded for property and equipment. 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, 2013, and its changes in financial position and 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 25, 2014, 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 Town of Erwin Industrial Development Agency's internal control over financial reporting and compliance.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
March 25, 2014

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY

Statement of Net Position

December 31, 2013

	<u>TEIDA Fund</u>	<u>Airport Fund</u>	<u>Three Rivers Corp. Fund</u>	<u>Total All Funds</u>
ASSETS				
Assets				
Cash and cash equivalents	\$ 101,118	\$ 228,793	\$ 107,921	\$ 437,832
Total current assets	101,118	228,793	107,921	437,832
Property and Equipment - Net	-	<u>10,568,607</u>	<u>195,000</u>	<u>10,763,607</u>
Total Assets	<u>\$ 101,118</u>	<u>\$ 10,797,400</u>	<u>\$ 302,921</u>	<u>\$ 11,201,439</u>
LIABILITIES AND NET POSITION				
Liabilities				
Due to other governments	\$ 98,459	\$ -	\$ -	\$ 98,459
Accounts payable	-	20,476	2,600	23,076
Other accrued liabilities	-	<u>9,720</u>	-	<u>9,720</u>
Total liabilities	<u>98,459</u>	<u>30,196</u>	<u>2,600</u>	<u>131,255</u>
Net Position				
Net investment in capital assets	-	10,568,607	195,000	10,763,607
Restricted	-	-	105,321	105,321
Unrestricted	<u>2,659</u>	<u>198,597</u>	-	<u>201,256</u>
Total net assets	<u>2,659</u>	<u>10,767,204</u>	<u>300,321</u>	<u>11,070,184</u>
Total Liabilities and Net Position	<u>\$ 101,118</u>	<u>\$ 10,797,400</u>	<u>\$ 302,921</u>	<u>\$ 11,201,439</u>

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

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Statement of Revenue, Expenses, and Change in Net Position
For the Year Ended December 31, 2013

	<u>TEIDA Fund</u>	<u>Airport Fund</u>	<u>Three Rivers Corp. Fund</u>	<u>Total All Funds</u>
Revenue				
Federal development grants	\$ -	\$ 348,616	\$ -	\$ 348,616
State development grants	-	1,183	-	1,183
Fees	-	34,359	-	34,359
Other revenue	-	10,136	-	10,136
Interest income	-	-	232	232
Forgiveness of debt	-	290,028	39,177	329,205
Total revenue	-	684,322	39,409	723,731
Expenses				
Administrative	-	22,874	7,800	30,674
Bad debt expense	-	-	25,000	25,000
Total expenses	-	22,874	32,800	55,674
Change in Net Position				
	-	661,448	6,609	668,057
Net Position - Beginning	<u>2,659</u>	<u>10,105,756</u>	<u>293,712</u>	<u>10,402,127</u>
Net Position - Ending	<u>\$ 2,659</u>	<u>\$ 10,767,204</u>	<u>\$ 300,321</u>	<u>\$ 11,070,184</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, 2013

	<u>TEIDA Fund</u>	<u>Airport Fund</u>	<u>Three Rivers Corp. Fund</u>	<u>Total All Funds</u>
Cash Flows from Operating Activities				
Cash receipts from federal and state grants	\$ -	\$ 349,799	\$ -	\$ 349,799
Cash receipts from fees and other income	-	54,215	-	54,215
Interest income	-	-	232	232
Cash paid for operating expenses	<u>(44,695)</u>	<u>(8,748)</u>	<u>(5,200)</u>	<u>(58,643)</u>
Net cash from operating activities	<u>(44,695)</u>	<u>395,266</u>	<u>(4,968)</u>	<u>345,603</u>
Cash Flow from Noncapital Financing Activities				
Loans paid by other government	<u>(1,012,504)</u>	<u>-</u>	<u>-</u>	<u>(1,012,504)</u>
Net cash from noncapital financing activities	<u>(1,012,504)</u>	<u>-</u>	<u>-</u>	<u>(1,012,504)</u>
Cash Flows from Investing Activities				
Land and project expenditures	<u>-</u>	<u>(386,055)</u>	<u>-</u>	<u>(386,055)</u>
Net cash from investing activities	<u>-</u>	<u>(386,055)</u>	<u>-</u>	<u>(386,055)</u>
Net Change in Cash and Cash Equivalents	(1,057,199)	9,211	(4,968)	(1,052,956)
Cash and Cash Equivalents - Beginning	<u>1,158,317</u>	<u>219,582</u>	<u>112,889</u>	<u>1,490,788</u>
Cash and Cash Equivalents - Ending	<u>\$ 101,118</u>	<u>\$ 228,793</u>	<u>\$ 107,921</u>	<u>\$ 437,832</u>
Reconciliation of Change in Net Position to Net Cash from Operating Activities				
Change in net position	\$ -	\$ 661,448	\$ 6,609	\$ 668,057
Adjustments				
Forgiveness of debt	-	(290,028)	(39,177)	(329,205)
Bad debt expense	-	-	25,000	25,000
Change in other accrued liabilities	-	9,720	-	9,720
Change in accounts payable	<u>(44,695)</u>	<u>14,126</u>	<u>2,600</u>	<u>(27,969)</u>
Net cash from operating activities	<u>\$ (44,695)</u>	<u>\$ 395,266</u>	<u>\$ (4,968)</u>	<u>\$ 345,603</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, personnel, and depreciation. 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, 2013, the Agency had \$105,321 in 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 balance sheets and statements 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.

Investment Policy - TEIDA has a formal investment policy approved by the Board of Directors that defines permitted investments and establishes collateralization requirements for all investments. The investment policy is in compliance with the laws of the State of New York, Chapter 838, Title 7, Section 2925. The Agency is permitted to invest funds in the following types of investments: savings accounts, NOW accounts, Super NOW accounts, 7-31-Day accounts, Municipal Investors Service Corporation's Cooperative Liquid Assets Securities System (CLASS), repurchase agreements, certificates of deposit, obligations of the United States of America, obligations of public housing authorities, urban renewal agencies and industrial development agencies, and certificates of participation. All deposits of the Agency are public funds and shall have a pledge of collateral by the bank or trust company in which the funds are deposited. The Agency may contract for the purchase of investments through competitive bids solicited by telephone directly. It is the policy of the Agency to diversify its deposits and investments by financial institution, by investment instrument and by maturity scheduling. The Agency maintains a listing of financial institutions and dealers approved for investment purposes. The Agency maintains proper books and records supporting all investment and deposit accounts held by the Agency.

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.

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.

Note 2. Property and Equipment

Property and equipment consisted of the following at December 31, 2013:

Land - Airport Fund	\$ 2,838,066
Land Improvements - Airport Fund	6,308,822
Buildings - Airport Fund	683,853
Equipment - Airport Fund	356,101
Construction in Progress - Airport Fund	381,765
Land - Three Rivers Corp. Fund	195,000
Total property and equipment - net	<u>\$ 10,763,607</u>

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

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

Note 3. Due to Other Governments and Related Party Transactions

Amounts due to other governments was comprised of the following at December 31, 2013:

Town of Erwin	\$ <u>98,459</u>
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This liability relates to the grant advances and non-interest bearing advances.

At December 31, 2013 the Agency recorded \$290,028 in forgiveness of debt income from the Town of Erwin as well as the Three Rivers Corporation Fund. This amount has been forgiven by the related entities and will not be paid by the Agency.

At December 31, 2013 the Three Rivers Corporation Fund also recorded \$39,177 in forgiveness of debt income related to outstanding liabilities that are no longer owed by the Fund. This amount has been forgiven and will not be paid by the Fund.

Note 4. 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 5. Concentrations of Credit Risk

As required by the investment policy, collateral is required for time deposits and certificates of deposit not covered by the Federal Deposit Insurance Corporation. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and towns. As of December 31, 2013, TEIDA accounts were fully collateralized.

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, 2013:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Contractual expenditures	\$ -	\$ 386,055	\$ (386,055)
Administrative	<u>23,500</u>	<u>22,874</u>	<u>626</u>
Total	<u>\$ 23,500</u>	<u>\$ 408,929</u>	<u>\$ (385,429)</u>

The Agency does not budget for grants and their related contractual expenditures. The budget to actual difference shown above was due to the receipt of grants and their related expenditures. The difference in administrative and miscellaneous expenditures relates to unbudgeted expenses in 2013.



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, 2013, 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 25, 2014.

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 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 Industrial Development Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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.

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

EFP Rotenberg, LLP
Rochester, New York
March 25, 2014