Town of Malone
Industrial Development Agency

AUDIT REPORT

December 31, 2013 and 2012

Douglas S. Wood, C.P.A., P.C.
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Town of Malone Industrial Development Agency
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December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Town of Malone Industrial Development Agency
27 Airport Road
Malone, New York 12953

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Town of Malone Industrial Development Agency, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the authorities' 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 opinions.

Opinions

As explained in Note 1 to the financial statements land acquired prior to 1990 is recorded at assessed value. In our opinion, generally accepted accounting principles require property to be recorded at cost.

In our opinion, except for the effects of recording fixed assets at assessed value, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, of the Town of Malone Industrial Development Agency, as of December 31, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 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 12, 2014 on our consideration of the Town of Malone 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 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 Malone Industrial Development Agency's internal control over financial reporting and compliance.

Douglas S. Wood, C.P.A., P.C.

Douglas S. Wood, C.P.A., P.C.
Malone, New York 12953
March 12, 2014

Town of Malone Industrial Development Agency
Management's Discussion and Analysis (MD&A)
December 31, 2013

INTRODUCTION

Our discussion and analysis of the Town of Malone Industrial Development Agency's financial performance provides an overview of the Corporation's financial activities for the year ended December 31, 2013. It should be read in conjunction with the basic financial statements to enhance understanding of the Corporation's financial performance, which immediately follows this section.

FINANCIAL HIGHLIGHTS

The Town of Malone Industrial Development Agency received notice from New York State Authorities budget office under General Municipal Law Section 882 regarding the lack of debt issuance and possible dissolution. The Town of Malone Industrial Development Agency continues to operate the sewer district.

Net assets of the Town of Malone Industrial Development Agency decreased $1,374 due to excess expenditures over revenue.

SUMMARY INFORMATION

The Agency was created in 1972 by the State of New York, under the provisions of Chapter 314 of the Laws of New York State for the purpose of encouraging economic growth in the Town of Malone. The agency is exempt from Federal, State and Local income taxes. The Agency, although established by the Town of Malone, is a separate entity and operates independently of the Town of Malone.

USING THIS ANNUAL STATEMENTS

This annual report consists of two parts: Management's Discussion and Analysis and Financial Statements. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Corporation's assets and liabilities, with the differences between the two reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *statement of activities* presents information showing how the Corporation's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows for future fiscal periods.

The government-wide financial statements outline functions of the Corporation that are principally supported by intergovernmental revenues (governmental activities). These activities include the capitalization of industrial development in the Town of Malone.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Corporation can be divided into two categories: governmental funds and fiduciary funds.

Government funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Corporation's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental-funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Corporation's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement or revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Corporation. Fiduciary funds are reflected in the government wide financial statements because the resources of those funds are not available to support the Corporation's own programs. The accrual basis of accounting is used for fiduciary funds.

NET ASSETS consist of the following:

	2013	2012
ASSETS		
Current assets	$ 63,053	$ 64,427
Land	115,000	115,000
TOTAL ASSETS	178,053	179,427
LIABILITIES		
Current	$ 1,550	$ 1,550
Long-term		
TOTAL LIABILITIES	1,550	1,550
NET ASSETS		
Unrestricted	176,503	177,877
TOTAL NET ASSETS	176,503	177,877
TOTAL LIABILITIES AND NET ASSETS	$ 178,053	$ 179,427

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

	2013	2012
Operating revenues	$ 13,705	$ 23,156
Interest	7	120
Sale of land	0	0
Total Revenues	13,712	23,276
Operating expenses	(15,086)	(18,543)
Net asset increase (decrease)	$(1,374)	$ 4,733

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Corporation's Chief Executive Officer at 27 Airport Road, Malone, New York 12953.

Town of Malone Industrial Development Agency
STATEMENT OF NET ASSETS
December 31, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	$ 60,078	$ 58,204
Accounts receivable	2,975	6,223
TOTAL CURRENT ASSETS	63,053	64,427
PROPERTY & EQUIPMENT		
Land	115,000	115,000
	$ 178,053	$ 179,427
LIABILITIES & FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,550	$ 1,550
TOTAL CURRENT LIABILITIES	1,550	1,550
LONG-TERM DEBT	0	0
NET ASSETS		
Invested in capital assets net of related debt	115,000	115,000
Unrestricted	61,503	62,877
TOTAL NET ASSETS	$ 176,503	$ 177,877

See Accompanying Notes and Auditors' Report

Town Of Malone Industrial Development Agency
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2013 and 2012

	2013			
		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenditures	Charges for Services	Operating Grants and Contributions	Government Activities
Governmental Activities				
Program Services				
Sewer District	(10,938)	9,338		(1,600)
Management and General				
Total Administrative Services	(4,148)	4,367		219
Total Governmental Activities	(15,086)	13,705		(1,381)
General Revenues				
Interest				7
Sale of land				0
Total General Revenues				7
Changes in Net Assets				(1,374)
Net Assets-Beginning of Year				177,877
Net Assets-End of Year				$ 176,503

	2012			
		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenditures	Charges for Services	Operating Grants and Contributions	Government Activities
Governmental Activities				
Program Services				
Sewer District	(14,360)	14,360		0
Management and General				
Total Administrative Services	(4,183)	8,796		4,613
Total Governmental Activities	(18,543)	23,156		4,613
General Revenues				
Interest				120
Miscellaneous Income				0
Total General Revenues				120
Changes in Net Assets				4,733
Net Assets – Beginning of Year				173,144
Net Assets – End of Year				$ 177,877

See Accompanying Notes To The Basic Financial Statements

Town of Malone Industrial Development Agency
BALANCE SHEETS – Governmental Funds
December 31, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	$ 60,078	$ 58,204
Accounts receivable	2,975	6,223
TOTAL CURRENT ASSETS	63,053	64,427
TOTAL ASSETS	$ 63,053	$ 64,427
LIABILITIES & FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,550	$ 1,550
TOTAL CURRENT LIABILITIES	1,550	1,550
LONG-TERM DEBT	0	0
Fund Equity		
Unassigned	61,503	62,877
TOTAL FUND EQUITY	$ 61,503	$ 62,877

Town of Malone Industrial Development Agency
STATEMENTS OF REVENUES, EXPENSES & CHANGES IN FUND EQUITY-Governmental Funds
For the Years Ended December 31, 2013 and 2012

	2013	2012
OPERATING REVENUES		
User's fee	$ 13,705	$ 23,156
Interest/late fees	7	120
Gain on sale of land		
	13,712	23,276
OPERATING EXPENSES		
Personal services	2,400	2,400
Utilities	7,420	7,329
Professional fees	1,700	1,775
Repair & maintenance	3,120	4,747
Miscellaneous	446	9
Purchase of land		10,000
Bad debts		2,283
	15,086	28,543
NET INCREASE (DECREASE)	(1,374)	(5,267)
FUND EQUITY – Beginning	62,877	68,144
FUND EQUITY- Ending	$ 61,503	$ 62,877

See Accompanying Notes and Auditors' Report

Town of Malone Industrial Development Agency

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2012

	Total Governmental Funds	Long-Term Assets Liabilities	Statement of Net Assets Totals
ASSETS			
Cash and Cash Equivalents-Unassigned	$ 58,204	$	$ 58,204
Accounts receivable	6,223		6,223
Fixed Assets-Net		115,000	115,000
Total Assets	64,427	115,000	179,427
LIABILITIES			
Accounts Payable	1,550		1,550
Long Term Debt – Current Portion			
Long Term Debt			
Total Liabilities	1,550		1,550
FUND EQUITY			
Total Fund Equity	62,877	115,000	177,877
Total Liabilities and Fund Equity	$ 64,427	$ 115,000	$ 179,427

Total Governmental Fund Balance	$ 62,877
Amounts reported for Governmental Activities in the Statement of Net Assets are Different because: Capital Assets used in Governmental Activities are not Resources and therefore are not reported in the funds.	115,000
Long-term Liabilities, including Bonds Payable, are not due and payable in the Current period and therefore not reported in the funds.	0
Total Net Assets	$ 177,877

Town of Malone Industrial Development Agency

RECONCILIATION OF GOVERNMENTAL FUNDS, REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES

December 31, 2012

	Fund Statement	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
REVENUES				
User fees	$ 23,156	$	$	$ 23,156
Interest Income	120			120
Miscellaneous Income				
TOTAL REVENUES	23,276			23,276
EXPENDITURES				
Personnel services	2,400			2,400
Utilities	7,329			7,329
Professional	1,775			1,775
Repairs and maintenance	4,747			4,747
Net Change in Capital Assets	10,000	(10,000)		0
Bad debts	2,283			2,283
Miscellaneous	9			9
TOTAL EXPENDITURES	28,543	(10,000)		18,543
Net Change For the Year	$ (5,267)	$ (10,000)	$	$ 4,733
Net Change in Fund Balance				$ (5,267)
Expenditures for acquisition of capital assets (net) recorded in the Governmental Funds, but not in the Statement of Activities				10,000
Repayment of long-term debt and incurrance of new debt as an expenditure/receipt In the Governmental Funds, but not in the Statement of Activities				
Change in Net Assets of Governmental Activities				$ 4,733

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Malone Industrial Development Agency have been prepared in conformity with generally accepted accounting principles. Significant accounting policies are:

Organization and Purpose

The Agency was created in 1972 by the State of New York, under the provisions of Chapter 314 of the Laws of New York State for the purpose of encouraging economic growth in the Town of Malone. The Agency is exempt from Federal, State and Local income taxes. The Agency, although established by the Town of Malone, is a separate entity and operates independently of the Town of Malone.

BASIS OF PRESENTATION:

Entity wide financial statements- the Statement of Net Assets and the Statement of Activities- present financial information about the IDA's governmental activities. These statements include the financial activities of the overall government in its entirety.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the IDA's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All other revenues are classified as general revenues.

Governmental Funds financial statements – Balance Sheets and Statements of Revenue, Expenditures, and Changes in Fund Balances- provide information about the IDA's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of the governmental fund financial statements is on major governmental funds, each displayed in a separate column. The IDA reports the following major governmental funds.

> General Fund: Primary operating fund accounting for all financial transactions not required to be in another fund.

Measurement focus and basis of accounting:

The entity wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, may include grants and donations. On an accrual basis, revenue is recognized in the fiscal year for which the revenue is earned. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt or claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Donated Assets and Services

The estimated fair value of the full use of facilities owned by others and the estimated fair value of contributed services over which the Corporation exercises control, which constitute a part of the normal services that would otherwise be performed by paid personnel, have not been reflected in the accompanying financial statements. Also, the value of other donated services (board members, etc.) is not reflected in the accompanying statements

Property

Property acquired by the Agency prior to January 1, 1990, is stated at assessed value.

Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at reported period. Actual results could differ from those estimates

Investments

The Agency's investment policies are governed by state statutes. Agency monies are required to be deposited in FDIC insured commercial banks or trust companies located within the state. The Agency is authorized to use demand accounts and certificates of deposit.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. 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 school districts.

Cash and Concentration of Credit Risk

As of December 31, 2013 and 2012, all bank deposits are entirely insured or collateralized with securities by the Agency's agent in the Agency's name.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with maturity of three months or less as cash equivalents. There were no such items at the beginning of the year or the end of the year.

Bad Debts
Bad debts are recognized by the corporation in the year they are determined worthless.

Subsequent Events
Management has reviewed and evaluated all events and transactions from 12/31/13 through 3/12/14, the date the financial statements were available to be issued for possible disclosure and recognition in the financial statements. There were not events or transactions that existed which would provide additional pertinent information about conditions at the balance sheet date required to be recognized or disclosed in the accompanying financial statements.

Income Tax
The IDA was determined to be exempt from federal reporting requirements under Internal Revenue Procedure 94-48, 1995-2 C.B. 418 as a government unit or affiliate of a governmental unit described in such procedure. Also the IDA is exempt from state income tax reporting requirements under Article 7-A and EPTL.

Accounting principles generally accepted in the United States of America require the IDA to evaluate all significant tax positions. As of 12/31/13 the IDA does not believe that it has taken any positions that would require the recording of any tax liability, nor does it believe that there are any unrealized tax benefits that should be recorded or that would increase or decrease within the next year.

NOTE 2- NET ASSET CLASSIFICATION

Entity Wide Statements

In the entity wide statements there are three classes of net assets.

Invested in Capital Assets, Net of Related Debt – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets. The IDA had $115,000 and $115,000 invested in capital assets, net of related debt as December 31, 2013 and 2012 respectively.

Restricted Net Assets – reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The IDA had $0 and $0 in restricted net assets as December 31, 2013 and 2012 respectively.

Unrestricted Net Assets- reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the IDA. The IDA had $61,503 and $62,877 in unrestricted net assets as of December 31, 2013 and 2012 respectively.

Governmental Funds Statements

In the governmental funds statements there are five classifications of fund balance.

Non-Spendable- includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The IDA had $0 in non-spendable fund balance as of December 31, 2013 and 2012 respectively.

Restricted- includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balance. The IDA had $-0- in restricted fund balances as of December 31, 2013 and 2012 respectively.

Committed- includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the IDA's highest level of decision making authority i.e. the Board of Directors. The IDA had $-0- in committed fund balance as of December 31, 2013 and 2012 respectively.

Assigned- includes amounts that are constrained by the IDA's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. The IDA had $-0- and $-0- in assigned fund balance as of December 31, 2013 and 2012 respectively.

Unassigned- includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be for general use. The IDA had $61,503 and $62,877 in unassigned fund balance as of December 31, 2013 and 2012 respectively.

Order of Use of Fund Balance

The IDA's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance

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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 Trustees
Town of Malone Industrial Development Agency
27 Airport Road
Malone, New York 12953

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 governmental activities, of the Town of Malone Industrial Development Agency, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Town of Malone Industrial Development Agency's basic financial statements, and have issued our report thereon dated March 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Malone 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Malone Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Malone 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. 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 Malone 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 result 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 results 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.

Douglas S. Wood, C.P.A., P.C.

Douglas S. Wood, C.P.A., P.C.
Malone, New York
March 12, 2014

Douglas S. Wood, C.P.A., P.C.

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March 12, 2014

To the Board of Directors of:
Town of Malone Industrial Development Agency
27 Airport Road
Malone, New York 12953

We have audited the financial statements of the Town of Malone Industrial Development Agency for the year ended December 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated January 21, 2014. Professional standards also require that we communicate to you the following information related to our audit.

A. The Auditor's Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 21, 2014 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all materials respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statement does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Town of Malone Industrial Development Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Town of Malone Industrial Development Agency's compliance with those requirements.

B. Planned Scope and Timing of the Audit

The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result for (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We have communicated our significant findings as outlined below.

We began our audit on February 27, 2014 and intend to issue our report on approximately March 12, 2014.

C. Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Malone Industrial Development Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2012. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatement identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the opinion unit's financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 12, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accounting to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the applications of accounting principles and auditing standards, with management each year prior to retention as the Town of Malone Industrial Development Agency's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and Management of the Town of Malone Industrial Development Agency and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Douglas S. Wood, C.P.A., P.C.

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