

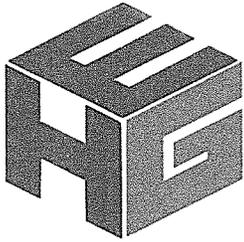
**TOWN OF MALONE COUNTY OF FRANKLIN  
INDUSTRIAL DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE TOWN OF MALONE)**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

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# HOFFMAN EELLS & GRAY

CPAs, P.C.

31 Elm Street, Malone, NY 12953 Phone 518.483.1630 Fax 518.483.7402

## INDEPENDENT AUDITORS' REPORT

To the Management and the Board of Directors  
Town of Malone County of Franklin Industrial Development Agency

We have audited the accompanying financial statements of the Town of Malone County of Franklin Industrial Development Agency (the "Agency"), a component unit of the Town of Malone, as of and for the year ended December 31, 2014, 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.

### **Auditor's 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.

---

Douglas L. Hoffman, CPA, PFS, MBA ♦ John J. Gray, Jr., CPA, CGMA, MBA ♦ Nicholas P. Eells, CPA ♦ Angela M. Gray, CPA, MSIS

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### **Basis for Qualified Opinion**

The Agency has reported capital asset at assessed value in the accompanying statement of net position. Accounting principles generally accepted in the United States of America require capital assets to be reported at cost.

### **Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Malone County of Franklin Industrial Development Agency as of December 31, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 23, 2015, on our consideration of the Town of Malone County of Franklin 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 County of Franklin Industrial Development Agency's internal control over financial reporting and compliance.

  
HOFFMAN EELLS & GRAY CPAS, P.C.  
Malone, NY  
March 23, 2015

**TOWN OF MALONE COUNTY OF FRANKLIN  
INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**INTRODUCTION**

Within this section of the Town of Malone County of Franklin Industrial Development Agency (“IDA or the “Agency”) financial statements, the Agency’s management provides narrative discussion and analysis of the financial activities of the Agency for the year ended December 31, 2014. This discussion and analysis should be read in conjunction with the basic financial statements to enhance understanding of the Agency’s financial performance, which immediately follows this section.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Agency’s basic financial statements include: (1) financial statements, and (2) notes to the financial statements.

**FINANCIAL STATEMENTS**

The Agency's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). The Agency is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated over their useful lives. See notes to the financial statements for a summary of the Agency's financial position.

The *Statement of Net Position* present information on the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Agency's financial position.

The *Statement of Revenues, Expenses, and Change in Net Position* present information showing how the Agency's net position changed during the most recent years. All changes in net position 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 these statements for some items that will result in cash flow in future periods.

The *Statement of Cash Flows* relate to flows of cash and cash equivalents. Consequently, only transactions that affect the Agency's cash accounts are recorded in these statements.

**NOTES TO FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the basic financial statements.

**TOWN OF MALONE COUNTY OF FRANKLIN  
INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)**

**FINANCIAL HIGHLIGHTS**

The following items are the financial highlights experienced by the Town of Malone County of Franklin Industrial Development Agency.

The overall net position of the Agency slightly decreased by \$982 during the year ended December 31, 2014.

The Agency's total revenue and expenses increased by \$1,319 and \$927, respectively.

**FINANCIAL STATEMENT ANALYSIS**

Below is the summary of the Agency's Statement of Net Position as of December 31, 2014:

|                             | 2014              |
|-----------------------------|-------------------|
| <b>ASSETS</b>               |                   |
| Current Assets              |                   |
| Cash                        | \$ 59,235         |
| Accounts Receivable         | 3,186             |
| <b>Total Current Assets</b> | <b>62,421</b>     |
| Capital Asset               |                   |
| Land                        | 115,000           |
| <b>Total Assets</b>         | <b>177,421</b>    |
| <br><b>LIABILITIES</b>      |                   |
| Accounts Payable            | 1,900             |
| <b>Total Liabilities</b>    | <b>1,900</b>      |
| <br><b>NET POSITION</b>     |                   |
| Invested in Capital Assets  | 115,000           |
| Unrestricted                | 60,521            |
| <b>Total Net Position</b>   | <b>\$ 175,521</b> |

The Agency's cash includes cash in bank and certificate of deposit. The accounts receivable consists of billings to occupants in the fourth quarter of 2014. The accounts payable consists of unpaid inspection fees and utilities in 2014. There was no significant change from prior year balances.

**TOWN OF MALONE COUNTY OF FRANKLIN  
INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)**

**FINANCIAL STATEMENT ANALYSIS (CONTINUED)**

Below is the summary of the Agency's Statement of Revenues, Expenses and Change in Net Position for the year ended December 31, 2014:

|  | <b>2014</b>      |
|--|------------------|
| <b>Revenue</b>                         |                  |
| User's fee                             | \$ 15,022        |
| Interest                               | 9                |
| <b>Total Revenue</b>                   | <b>15,031</b>    |
| <b>Expenses</b>                        |                  |
| Personal services                      | 2,400            |
| Utilities                              | 7,657            |
| Professional fees                      | 1,888            |
| Repairs and Maintenance                | 3,900            |
| Miscellaneous                          | 168              |
| <b>Total Expenses</b>                  | <b>16,013</b>    |
| <b>Change in Net Position</b>          | <b>(982)</b>     |
| <b>Net Position, Beginning of Year</b> | <b>61,503</b>    |
| <b>Net Position, End of Year</b>       | <b>\$ 60,521</b> |

Revenues are derived primarily from billings to industrial park's occupants related to recurring expenses such as repairs and maintenance, professional fees, utilities, etc. Expenditures consist primarily of repairs and maintenance, utilities and personal services. There was no significant change from prior year balance.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This report is prepared for use of the Agency's management and pass-through entities, and members of the public interested in the affairs of the Agency. Questions with regard to this financial report or requests for additional information should be addressed to the Town of Malone County of Franklin Industrial Development Agency, 27 Airport Road, Malone, NY 12953.

TOWN OF MALONE COUNTY OF FRANKLIN  
INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014

|                            | 2014       |
|----------------------------|------------|
| <b>ASSETS</b>              |            |
| Current Assets             |            |
| Cash                       | \$ 59,235  |
| Accounts Receivable        | 3,186      |
| Total Current Assets       | 62,421     |
| Capital Asset              |            |
| Land                       | 115,000    |
| Total Assets               | 177,421    |
| <br><b>LIABILITIES</b>     |            |
| Accounts Payable           | 1,900      |
| Total Liabilities          | 1,900      |
| <br><b>NET POSITION</b>    |            |
| Invested in Capital Assets | 115,000    |
| Unrestricted               | 60,521     |
| Total Net Position         | \$ 175,521 |

The accompanying notes are an integral part of these financial statements

**TOWN OF MALONE COUNTY OF FRANKLIN  
INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|  | 2014             |
|--|------------------|
| <b>Revenue</b>                         |                  |
| User's fee                             | \$ 15,022        |
| Interest                               | 9                |
| <b>Total Revenue</b>                   | <b>15,031</b>    |
| <b>Expenses</b>                        |                  |
| Personal services                      | 2,400            |
| Utilities                              | 7,657            |
| Professional fees                      | 1,888            |
| Repairs and Maintenance                | 3,900            |
| Miscellaneous                          | 168              |
| <b>Total Expenses</b>                  | <b>16,013</b>    |
| <b>Change in Net Position</b>          | <b>(982)</b>     |
| <b>Net Position, Beginning of Year</b> | <b>61,503</b>    |
| <b>Net Position, End of Year</b>       | <b>\$ 60,521</b> |

The accompanying notes are an integral part of these financial statements

TOWN OF MALONE COUNTY OF FRANKLIN  
INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014

|   | 2014             |
|---|------------------|
| <b>Cash Flows from Operating Activities:</b>  |                  |
| Change in Net Position  | \$ (982)         |
| Adjustments to Reconcile (Decrease) Increase in<br>Net Position to Net Cash Provided by Operating Activities: |                  |
| Changes in operating assets and liabilities:  |                  |
| Assets (Increase) Decrease  |                  |
| Accounts Receivable   | (211)            |
| Liabilities Increase (Decrease)   |                  |
| Accounts Payable  | 350              |
| <b>Net Cash Flows (Used in) Operating Activities</b>  | <b>(843)</b>     |
| <b>Net (Decrease) in Cash</b>   | <b>(843)</b>     |
| <b>Cash, Beginning of Year</b>  | <b>60,078</b>    |
| <b>Cash, End of Year</b>  | <b>\$ 59,235</b> |

The accompanying notes are an integral part of these financial statements

**TOWN OF MALONE COUNTY OF FRANKLIN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION**

The Town of Malone County of Franklin Industrial Development Agency (“IDA” or the “Agency”) was created in 1972 by the Town of Malone (the “Town”) under the provisions of Chapter 314 of the Laws of New York State for the purpose of encouraging economic growth in the Town. The Agency is exempt from federal, state and income taxes. The Agency is a component unit of the Town. Although established by the Town, the Agency is a separate entity and operates independently of the Town.

**BASIS OF PRESENTATION**

IDA is classified as an “enterprise fund,” as defined by the Governmental Accounting Standards Board (“GASB”), and, as such, the financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. In its accounting and financial reporting, the IDA follows the pronouncements of the GASB.

**USE OF ESTIMATES**

The preparation of the financial statements are in conformity with accounting principles generally accepted in the United States of America and require 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 period. Actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS**

The Agency considers all highly liquid investments purchased with original maturities of 90 days or less to be cash equivalents.

**INVESTMENTS**

The Agency’s investment policies are governed by state statutes. Agency monies are required to be deposited in Federal Depository Insurance Corporation (“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 FDIC.

**TOWN OF MALONE COUNTY OF FRANKLIN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CONCENTRATION OF RISK**

The Agency maintains cash balances at a financial institution located in New York. Accounts at the financial institution are insured by the FDIC up to \$250,000. At December 31, 2014, the Agency has no unsecured cash balances.

**CAPITAL ASSET**

Capital assets recorded on the financial statements are stated at cost. It is the Agency's policy to capitalize new expenditures for additions, improvements and major renewals, which extend the life of an asset, whereas expenditures for maintenance and repairs are charged to operations when incurred. Gains and losses from sales or other dispositions of depreciable property are included in current operations.

**DONATED ASSETS AND SERVICES**

The estimated fair value of the full use of facilities owned by others and estimated value of contributed services over which the Agency exercise 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 the other donated services (board members, etc.) is not reflected in the accompanying financial statements.

**INCOME TAX**

The Agency was determined to be exempt from federal reporting requirements under Internal Revenue Procedure 94-48, 1995 C.B 418 as a government unit or affiliate of a governmental unit described in such procedure. In addition, the Agency 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 Agency to evaluate all significant tax positions. As of December 31, 2014, the Agency 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.

**TOWN OF MALONE COUNTY OF FRANKLIN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Agency's financial instruments consist primarily of cash, receivables and payables. The Agency estimates that the fair value of all its financial instruments does not differ materially from the aggregate carrying values recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by the Agency using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of the fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Agency could realize in a current market exchange.

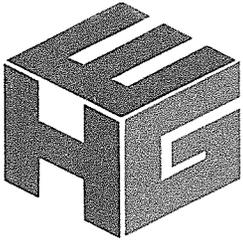
**NOTE 2 - CAPITAL ASSET**

The capital asset recorded on the financial records is stated at assessed value and consists of the following as of December 31, 2014:

|      | <u>2014</u> |
|------|-------------|
| Land | \$ 115,000  |

**NOTE 3 - SUBSEQUENT EVENTS**

The Agency has evaluated events and transactions that occurred between January 1, 2015 and March 23, 2015, which is the date the financials statements were available to be issued, for possible disclosure and recognition in the financial statement.



# HOFFMAN EELLS & GRAY

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**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 Management and the Board of Directors  
Town of Malone County of Franklin Industrial Development Agency

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 Malone County of Franklin Industrial Development Agency (the "Agency"), a component unit of the Town of Malone, which comprise the statement of net position as of December 31, 2014, and the related statement of revenue, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Malone County of Franklin Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies 14-01 and 14-02, described in the accompanying schedule of findings and responses, to be material weaknesses.

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**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  
(CONTINUED)**

Internal Control over Financial Reporting (continued)

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.

Compliance and Other Matters

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

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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HOFFMAN EELLS & GRAY CPAS, P.C.

Malone, NY

March 23, 2015

**TOWN OF MALONE COUNTY OF FRANKLIN  
INDUSTRIAL DEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2014**

**MATERIAL WEAKNESSES:** The following deficiencies have been determined to be material weaknesses.

**14-01: Financial Statement Preparation and Review**

*Condition and Criteria:* The Town of Malone County of Franklin Industrial Development Agency (the "Agency") did not have an adequate accounting system in place to properly capture, track, and record the financial activity of the Agency. As a result, accurate and complete financial statements were not prepared in accordance with US generally accepted accounting principles (GAAP) and certain material adjustments were necessary. Without a system of internal controls over the preparation of financial statements, the financial status of the Agency was not accurately reflected and could not adequately be monitored to prevent, detect, and correct material misstatement in a timely manner. The auditor cannot be considered a part of the Agency's internal controls.

*Effect:* As a result, significant adjustments were necessary to prepare the financial statements including note disclosures.

*Cause:* There was not an adequate accounting system in place to properly record the activity of the Agency or allow the preparation of reports to allow others to monitor activity. A material weakness in internal controls exists when there are no controls in place over the preparation of financial statements that would prevent or detect a misstatement in the financial statements. The Agency did not have adequate knowledge of the financial statement preparation process or the requirements of reporting under GAAP.

*Recommendation:* We recommend that an accounting system be implemented that properly tracks and records the financial activity of the Town and produces reports that allows management and the Board to adequately monitor all account activities on a regular basis and make informed decisions.

*Management's Response:* The Agency will research accounting systems that report and allow management and the Board to adequately monitor all account activities on a regular basis and make informed decisions.

TOWN OF MALONE COUNTY OF FRANKLIN  
INDUSTRIAL DEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2014  
(CONTINUED)

**14-02: Bank Reconciliations**

*Conditions and Criteria:* While conducting tests relating to cash bank reconciliations we noted that bank reconciliations were not always completed upon receipt of the bank statements, therefore deposits, disbursements, interest and earnings may not be recorded in a timely manner.

*Cause:* Lack of proper bank reconciliation procedures and lack of adequate review procedures.

*Effect:* There is an increased risk of misstatements.

*Recommendation:* We recommend that the Agency reform its bank reconciliation procedures and address the adequacy of its internal control. We also recommend a standardized bank reconciliation form.

*Management's Response:* The Agency will reform its bank reconciliation procedures and address the adequacy of its internal control. The Agency will further look to implement a standardized bank reconciliation form.