

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2011

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY

TABLE OF CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
STATEMENT OF NET ASSETS	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 - 9
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	11
SCHEDULE OF FINDINGS AND RESPONSES	12



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Town of Erwin Industrial Development Agency as of and for the year ended December 31, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Erwin Industrial Development Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were unable to audit land cost reflected in the financial statements as Land - Three Rivers Corp. Fund amounting to \$195,000 at December 31, 2011. We were also unable to audit Accrued Expenses - Three Rivers Corp. Fund amounting to \$40,142 at December 31, 2011.

As discussed in Note 1 and Note 4, depreciation expense has not been recorded for property and equipment. In our opinion, 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. The effect on the financial statements of the preceding practice is not reasonably determinable.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit land cost and accrued expenses, and except for the effect of not recording depreciation expense, as discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the net assets of the Town of Erwin Industrial Development Agency as of December 31, 2011, its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2012, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town of Erwin Industrial Development Agency has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Corning, New York
July 12, 2012

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Statement of Net Assets
December 31, 2011

	<u>TEIDA Fund</u>	<u>Airport Fund</u>	<u>Three Rivers Corp. Fund</u>	<u>Town of Erwin Fund</u>	<u>Total All Funds</u>
ASSETS					
Assets					
Cash and cash equivalents	\$ 29,467	\$ 13,080	\$ 125,527	\$ -	\$ 168,074
Restricted cash	-	-	-	75,990	75,990
Due from other funds	-	173,998	25,000	-	198,998
Other assets	-	-	965	-	965
Property and equipment held for sale	<u>527,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>527,998</u>
Total current assets	557,465	187,078	151,492	75,990	972,025
Property and Equipment - Net	<u>-</u>	<u>10,151,852</u>	<u>195,000</u>	<u>-</u>	<u>10,346,852</u>
Total Assets	<u>\$ 557,465</u>	<u>\$ 10,338,930</u>	<u>\$ 346,492</u>	<u>\$ 75,990</u>	<u>\$ 11,318,877</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Due to other governments	\$ 219,267	\$ 265,028	\$ -	\$ 75,990	\$ 560,285
Due to other funds	173,998	25,000	-	-	198,998
Accounts payable	-	192,996	-	-	192,996
Accrued expenses	<u>-</u>	<u>-</u>	<u>40,142</u>	<u>-</u>	<u>40,142</u>
Total liabilities	<u>393,265</u>	<u>483,024</u>	<u>40,142</u>	<u>75,990</u>	<u>992,421</u>
Net Assets					
Investment in capital assets - net of related debt	-	10,151,852	195,000	-	10,346,852
Restricted	-	-	111,350	-	111,350
Unrestricted	<u>164,200</u>	<u>(295,946)</u>	<u>-</u>	<u>-</u>	<u>(131,746)</u>
Total net assets	<u>164,200</u>	<u>9,855,906</u>	<u>306,350</u>	<u>-</u>	<u>10,326,456</u>
Total Liabilities and Net Assets	<u>\$ 557,465</u>	<u>\$ 10,338,930</u>	<u>\$ 346,492</u>	<u>\$ 75,990</u>	<u>\$ 11,318,877</u>

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

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Statement of Activities
For the Year Ended December 31, 2011

	<u>TEIDA Fund</u>	<u>Airport Fund</u>	<u>Three Rivers Corp. Fund</u>	<u>Town of Erwin Fund</u>	<u>Total All Funds</u>
Revenues					
Federal development grants	\$ -	\$ 177,053	\$ -	\$ -	\$ 177,053
State development grants	-	8,524	-	-	8,524
Fees	-	20,220	-	-	20,220
Other income	25,000	11,440	-	-	36,440
Interest income	<u>204</u>	<u>-</u>	<u>1,060</u>	<u>-</u>	<u>1,264</u>
Total revenues	<u>25,204</u>	<u>217,237</u>	<u>1,060</u>	<u>-</u>	<u>243,501</u>
Expenses					
Administrative	75	16,161	8,186	-	24,422
Interest expense	-	11,083	-	-	11,083
Amortization	<u>-</u>	<u>2,454</u>	<u>-</u>	<u>-</u>	<u>2,454</u>
Total expenses	<u>75</u>	<u>29,698</u>	<u>8,186</u>	<u>-</u>	<u>37,959</u>
Change in Net Assets	<u>25,129</u>	<u>187,539</u>	<u>(7,126)</u>	<u>-</u>	<u>205,542</u>
Net Assets - Beginning - as Previously Stated	-	9,668,367	313,476	-	9,981,843
Restatement (Note 10)	<u>139,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,071</u>
Net Assets - Beginning - as Restated	<u>139,071</u>	<u>9,668,367</u>	<u>313,476</u>	<u>-</u>	<u>10,120,914</u>
Net Assets - Ending	<u>\$ 164,200</u>	<u>\$ 9,855,906</u>	<u>\$ 306,350</u>	<u>\$ -</u>	<u>\$ 10,326,456</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, 2011

	<u>TEIDA Fund</u>	<u>Airport Fund</u>	<u>Three Rivers Corp. Fund</u>	<u>Town of Erwin Fund</u>	<u>Total All Funds</u>
Cash Flows from Operating Activities					
Federal and state grants	\$ -	\$ 185,577	\$ -	\$ -	\$ 185,577
Fees and other income	25,000	31,660	-	-	56,660
Interest income	204	-	1,060	-	1,264
Administrative expenditures	<u>(75)</u>	<u>(16,161)</u>	<u>(8,186)</u>	<u>-</u>	<u>(24,422)</u>
Net cash from operating activities	<u>25,129</u>	<u>201,076</u>	<u>(7,126)</u>	<u>-</u>	<u>219,079</u>
Cash Flow from Capital and Related Financing Activities					
Amortization of bond issuance costs	-	340	-	-	340
Interest paid	-	(14,995)	-	-	(14,995)
Repayment of BAN payable	<u>-</u>	<u>(695,740)</u>	<u>-</u>	<u>-</u>	<u>(695,740)</u>
Net cash provided by capital and related financing activities	<u>-</u>	<u>(710,395)</u>	<u>-</u>	<u>-</u>	<u>(710,395)</u>
Cash Flow from Noncapital Financing Activities					
Loans from other funds	148,998	-	-	-	148,998
Loans to other funds	-	(148,998)	-	-	(148,998)
Loan payments to other government	<u>219,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,267</u>
Net cash provided by noncapital financing activities	<u>368,265</u>	<u>(148,998)</u>	<u>-</u>	<u>-</u>	<u>219,267</u>
Cash Flows from Investing Activities					
Land and project expenditures	<u>(527,998)</u>	<u>(207,295)</u>	<u>-</u>	<u>-</u>	<u>(735,293)</u>
Net Change in Cash and Cash Equivalents	(134,604)	(865,612)	(7,126)	-	(1,007,342)
Cash and Cash Equivalents - Beginning	<u>164,071</u>	<u>878,692</u>	<u>132,653</u>	<u>-</u>	<u>1,175,416</u>
Cash and Cash Equivalents - Ending	<u>\$ 29,467</u>	<u>\$ 13,080</u>	<u>\$ 125,527</u>	<u>\$ -</u>	<u>\$ 168,074</u>
Reconciliation of Change in Net Assets to Net Cash from Operating Activities					
Change in net assets	\$ 25,129	\$ 187,539	\$ (7,126)	\$ -	\$ 205,542
Adjustments					
Amortization expense	-	2,454	-	-	2,454
Interest paid	-	14,995	-	-	14,995
Change in liabilities					
Accrued interest	<u>-</u>	<u>(3,912)</u>	<u>-</u>	<u>-</u>	<u>(3,912)</u>
Net cash from operating activities	<u>\$ 25,129</u>	<u>\$ 201,076</u>	<u>\$ (7,126)</u>	<u>\$ -</u>	<u>\$ 219,079</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") of Erwin, New York 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 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) that is dedicated to the Town of Erwin 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.

Measurement Focus and Basis of Accounting - The accounts of TEIDA are maintained on the accrual basis of accounting, in conformity with the *Uniform System of Accounts for Industrial Development Agencies* published by the New York State Office of the State Comptroller.

Under the accrual basis of accounting, revenues and expenses are identified with specific periods of time, and are recorded as incurred, along with acquired assets and/or liabilities incurred without regard to the date of receipt or payment of cash. The measurement focus refers to what is being recognized in the financial statements. In proprietary accounting, the measurement focus is the same as in commercial enterprises, namely the flow of economic resources. This includes the capitalization of fixed assets, charging depreciation expense and recording long term debt as a fund liability. Depreciation has not been provided in the financial statements of TEIDA.

Effective for 2008 a legally adopted budget must be submitted to the State of New York. See Note 8.

In June of 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis of State and Local Governments*. This statement was adopted as of January 1, 2004 and is reflected in these financial statements. A Management's Discussion and Analysis (MD&A) is not a required part of the financial statements but is supplementary information required by GASB. An MD&A is not required by the *Uniform System of Accounts for Industrial Development Agencies* and has not been presented.

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.

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.

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

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.

Governance - TEIDA also has a procurement policy, disposition of real property guidelines, defense and indemnification policy, a compensation, reimbursement and attendance policy, by-laws, a code of ethics and a whistleblower policy. TEIDA has also established an audit committee and a governance committee.

Restricted Cash - This account is used to show cash balances restricted for use. This account, while legally owned by TEIDA, represents agency funds administered by TEIDA for capital projects performed for the Town of Erwin. These capital projects are recorded by the Town of Erwin and represents assets of the Town. A liability has been recorded for this account.

Property and Equipment Held for Sale - The Agency purchased property and equipment during the year ended December 31, 2011 that was held for sale at year end. Accordingly, the property was classified as a current asset on the statement of net assets.

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.

General Municipal Law Section 859 requires each Industrial Development Agency (IDA) to file annual audited financial statements and certain supplemental schedules with the Office of State Comptroller ("OSC"). These filings are made through the on-line Public Authority Reporting Information System ("PARIS"). When, after a series of notifications from OSC, an IDA has still not complied with reporting requirements, OSC must inform the IDA and the municipality for whose benefit it was created, that the IDA shall no longer offer financial assistance in the form of State Tax Exemptions. The Agency has not complied with Section 859 for the years ended December, 31 2007, 2008, 2009 and 2010. Therefore, the Agency is disallowed from offering assistance in the form of State Tax Exemptions at this point. All existing tax exemptions will continue as described in the preceding paragraph.

Subsequent Events - The Agency evaluated subsequent events through July 12, 2012, the date these financial statements were available to be issued.

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

Note 2. Due to/from Other Funds

All interfund balances are considered to be short-term. Interfund balances at December 31, 2011 consisted of the following:

	<u>Amount Receivable</u>	<u>Amount Payable</u>
Town of Erwin Industrial Development Agency	\$ -	\$ 173,998
Airport Fund	173,998	25,000
Three River Fund	<u>25,000</u>	<u>-</u>
Total	<u>\$ 198,998</u>	<u>\$ 198,998</u>

Note 3. Property and Equipment

Property and equipment consisted of the following at December 31, 2011:

Land - Airport Fund	\$ 2,832,716
Land Improvements - Airport Fund	6,260,522
Buildings - Airport Fund	683,853
Equipment - Airport Fund	158,841
Construction in Progress - Airport Fund	215,920
Land - Three Rivers Corp. Fund	<u>195,000</u>
Sub-total	10,346,852
Less - accumulated depreciation	<u>-</u>
Total property and equipment - net	<u>\$ 10,346,852</u>

The Agency does not record accumulated depreciation and related depreciation expense on property and equipment. Property and equipment is stated at the acquisition cost or construction cost, including administrative expenses and interest attributable to each project.

The Agency had purchased property and equipment in the year ended December 31, 2011 that was held for sale at year end in the amount of \$527,998.

Note 4. Due to Other Governments and Related Party Transactions

Amounts due to other governments was comprised of the following at December 31, 2011:

Town of Erwin	<u>\$ 560,285</u>
---------------	-------------------

These borrowings related to the grant advances, bond anticipation note, bond interest and non-interest bearing advances.

Note 5. Bond Anticipation Notes Payable

Bond anticipation notes (BANS) are generally issued for one year. Renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within the first two years and within each 12 month period thereafter. BAN's issued for capital purposes must be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The Agency had an outstanding BAN at December 31, 2010 that amounted to \$695,400 for the construction of a self serve fuel farm and T-hangar at the Corning-Painted Post Airport. The BAN had an interest rate of 2.25%. This BAN was paid in full during the year ended December 31 2011. Related amortization of issuance costs and bond premium amounted to \$2,454 for the year ended December 31, 2011 and has been reflected in the statement of activities.

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

Note 6. 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 7. 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, 2011, TEIDA accounts were fully collateralized.

Note 8. Budget Comparison

The following is a comparison of actual expenditures to budgeted expenditures for the year ended December 31, 2011:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Contractual expenditures	\$ 298,073	\$ 282,065	\$ 16,008
Administrative	<u>11,950</u>	<u>16,161</u>	<u>(4,211)</u>
Total	<u>\$ 310,023</u>	<u>\$ 298,226</u>	<u>\$ 11,797</u>

Contractual expenditures include current year additions to property and equipment. The difference from budget to actual was due to a decrease in the development grants received, which offset these expenditures. Administrative expenditures were consistent with expectations during 2011. Other expenditures are made up of interest expense and amortization expense which were not budgeted for during 2011.

Note 9. Reclassification

Certain reclassifications have been made to the financial statements for the year ended December 31, 2010. These reclassifications are for comparative purposes only and have no effect on the change in net assets as originally reported.

Note 10. Restatement

The Agency restated the December 31, 2010 financial statements to properly reflect the activity of three additional cash accounts. This effect of this restatement increased net assets by \$139,071. This restatement did not have an impact on the Agency's change in net assets for the year ended December 31, 2010.



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 the financial statements of the Town of Erwin Industrial Development Agency as of and for the year ended December 31, 2011, and have issued our report thereon dated July 12, 2012. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Town of Erwin Industrial Development Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Erwin Industrial Development Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Erwin Industrial Development Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness in internal control over financial reporting.

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 following deficiencies described in the accompanying schedule of findings and responses to be a material weakness: 2011-1.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as finding 2011-2.

Town of Erwin Industrial Development Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Town of Erwin Industrial Development Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Corning, New York
July 12, 2012

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Schedule of Findings and Responses
For the Year Ended December 31, 2011

FINDINGS - FINANCIAL STATEMENT AUDIT

FINDING 2011-1

Material Weakness - Accounting Records: During the current year audit, it was noted that several cash accounts were not recorded on the Town of Erwin Industrial Development Agency's general ledger. In addition, it was necessary to make a significant number of material journal entries to the Agency's general ledger. Although we as auditors are involved in the process of drafting the financial statements and related footnotes and may be consulted with respect to entries necessary to record specific transactions, it is management's responsibility to maintain the necessary expertise and the proper system of controls to properly prevent or detect a material misstatement in the general ledger and in the financial statements.

Recommendation: We recommend that all cash held by the Agency be maintained in the same general ledger. If necessary, we recommend creating separate funds for each of the cash accounts. In addition, we propose additional training for Agency's staff to ensure that all required journal entries recorded as part of the year end closing process.

Management Response: *TEIDA will change its method of recording infrastructure projects such that all cash held by the Agency is recorded in a single ledger. TEIDA is involved in numerous shared service projects and cross-contracts with the Town of Erwin and was maintaining its records on a cash basis to match the Town of Erwin records. TEIDA will convert to an accrual basis. TEIDA will work with their accountants on a quarterly basis to ensure accounting records are properly stated.*

FINDING 2011-2

Significant Deficiency - Timely Filing of Required Reports: During the current year audit, it was noted that the Agency has not filed numerous New York State Authorities Budget Office reports. These are required to be completed by all Industrial Development Agencies and filed on the Public Authorities Reporting Information System, ("PARIS").

Recommendation: Reporting requirements are the responsibility of management. However, if management feels it necessary, the Agency may consult with their accountants to ensure timely filings.

Management Response: *TEIDA will continue its efforts to comply with PARIS. A majority of the requisite reports are posted to the PARIS system. In order to maintain economical operations of TEIDA, there is limited staff to provide the weeks of time required to meet the reporting requirements of PARIS. TEIDA plans to work with their accountants to provide PARIS reporting services.*