

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2010

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Town of Erwin Industrial Development Agency (the "Agency") as of and for the year ended December 31, 2010, 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.

With the exception of the matters in the following paragraphs, 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 and the Uniform System of Accounts for the Industrial Development Agencies, published by the New York State Office of the State Comptroller. 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 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 opinion.

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, 2010. We were also unable to audit Accrued Expenses - Three Rivers Corp. Fund amounting to \$40,142 at December 31, 2010. The values included in the financial statements were provided by management and represent the amounts reflected on the Annual Financial Report submitted to the New York State Office of the State Comptroller for the year ended December 31, 2007. An Annual Financial Report was not submitted for the years ended December 31, 2008 through 2010.

As discussed in Note 1 and Note 3, 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.

As discussed in Note 1, the Town of Erwin Industrial Development 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. In our opinion, for these financial statements to be a complete presentation in accordance with accounting principles generally accepted in the United States of America these activities must be included. 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, and infrastructure activities, 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, 2010, 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 June 23, 2011, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Town of Erwin Industrial Development Agency has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined necessary to supplement, although not required to be part of the basic financial statements. A Management's Discussion and Analysis is not required by the Uniform System of Accounts for Industrial Development Agencies.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
June 23, 2011

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Statement of Net Assets
December 31, 2010

	<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	\$ 878,692	\$ 132,653	\$ -	\$ 1,011,345
Restricted cash	-	-	75,927	75,927
Property and equipment - net	9,878,901	195,000	-	10,073,901
Due from other governments	-	25,000	-	25,000
Other assets	<u>2,794</u>	<u>965</u>	<u>-</u>	<u>3,759</u>
Total Assets	<u>\$ 10,760,387</u>	<u>\$ 353,618</u>	<u>\$ 75,927</u>	<u>\$ 11,189,932</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Due to other governments	\$ 265,028	\$ -	\$ 75,927	\$ 340,955
Accounts payable	127,340	-	-	127,340
Accrued expenses	-	40,142	-	40,142
Accrued interest	3,912	-	-	3,912
Bond anticipation notes payable	<u>695,740</u>	<u>-</u>	<u>-</u>	<u>695,740</u>
Total liabilities	<u>1,092,020</u>	<u>40,142</u>	<u>75,927</u>	<u>1,208,089</u>
Net Assets (Deficit)				
Investment in capital assets - net of related debt	9,878,901	-	-	9,878,901
Restricted	-	313,476	-	313,476
Unrestricted	<u>(210,534)</u>	<u>-</u>	<u>-</u>	<u>(210,534)</u>
Total net assets	<u>9,668,367</u>	<u>313,476</u>	<u>-</u>	<u>9,981,843</u>
Total Liabilities and Net Assets	<u>\$ 10,760,387</u>	<u>\$ 353,618</u>	<u>\$ 75,927</u>	<u>\$ 11,189,932</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, 2010

	<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	\$ 189,086	\$ -	\$ -	\$ 189,086
State development grants	508,855	-	-	508,855
Fees	48,346	-	-	48,346
Other income	926	-	-	926
Interest income	-	1,747	-	1,747
Total revenues	<u>747,213</u>	<u>1,747</u>	<u>-</u>	<u>748,960</u>
Expenses				
Administrative	16,465	13,000	-	29,465
Interest expense	3,912	-	-	3,912
Amortization	931	-	-	931
Total expenses	<u>21,308</u>	<u>13,000</u>	<u>-</u>	<u>34,308</u>
Change in Net Assets	725,905	(11,253)	-	714,652
Net Assets - Beginning	<u>8,942,462</u>	<u>324,729</u>	<u>-</u>	<u>9,267,191</u>
Net Assets - Ending	<u>\$ 9,668,367</u>	<u>\$ 313,476</u>	<u>\$ -</u>	<u>\$ 9,981,843</u>

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

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Statement of Cash Flows - Airport Fund
For the Year Ended December 31, 2010

Cash Flows from Operating Activities

Federal and state grants	\$ 697,941
Fees and other unclassified revenue	49,272
Administrative expenditures	<u>(16,465)</u>
Net cash from operating activities	730,748

Cash Flow from Capital and Related Financing Activities

Bond anticipation note proceeds - net	692,015
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Cash Flow from Noncapital Financing Activities

Loans from other government	25,000
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Cash Flows from Investing Activities

Land and project expenditures	<u>(836,227)</u>
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Net Change in Cash and Cash Equivalents

611,536

Cash and Cash Equivalents - Beginning

267,156

Cash and Cash Equivalents - Ending

\$ 878,692

Reconciliation of Change in Net Assets to Net Cash

From Operating Activities

Change in net assets	\$ 725,905
Adjustments	
Amortization expense	931
Change in liabilities	
Accrued interest	<u>3,912</u>
Net cash from operating activities	<u>\$ 730,748</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

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.

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.

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.

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

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 - 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.

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 for the benefit of the CPLA Fire District.

Note 2. Related Party Transactions

Due to Other Governments - The amount of \$265,028 due to other governments is due to the Town of Erwin. These borrowings related to the bond anticipation note and bond interest and non-interest bearing advances.

Note 3. Property and Equipment

Property and equipment consisted of the following at December 31, 2010:

Land - Airport Fund	\$ 2,832,716
Land Improvements - Airport Fund	6,252,809
Buildings - Airport Fund	340,875
Equipment - Airport Fund	158,840
Construction in Progress - Airport Fund	293,661
Land - Three Rivers Corp. Fund	<u>195,000</u>
Sub-total	10,073,901
Less - accumulated depreciation	-
Total property and equipment - net	<u>\$ 10,073,901</u>

Note 4. Bond Anticipation Notes Payable

Liabilities for bond anticipation notes (BANS) are generally accounted for in the capital projects fund. The original notes 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 due dates of the BAN's listed below are in consideration of anticipated renewals:

Bond anticipation notes payable at December 31, 2010 consisted of a BAN of \$695,400 for the construction of a self serve fuel farm and T-hangar at the Corning-Painted Post Airport and a BAN premium of \$340. The BAN has an interest rate of 2.25%. Related issuance costs of \$3,725 have been capitalized and the related amortization of \$931 has been reflected in the financial statements.

TOWN OF ERWIN INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

Note 5. In-Kind Contributions

TEIDA does not record in-kind contributions.

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 6. Legal Matters

TEIDA was the petitioner in several actions resulting from the eminent domain acquisition of certain parcels of property, whereby the respondents have claimed additional compensation related to the acquisitions. In March, 2010 one such action was resolved requiring TEIDA to pay an additional \$18,500. The full amount of this was approved by the Federal Aviation Administration and the project grant was amended to completely cover the additional amount paid. The settlement of this action and the additional project funding has been recorded in the financial statements for the year ended December 31, 2010.

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, 2010, 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, 2010:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Contractual expenditures	\$ 867,328	\$ 914,617	\$ (47,289)
Administrative	9,598	16,465	(6,867)
Other expenditures	-	4,843	(4,843)
Total	<u>\$ 876,926</u>	<u>\$ 935,925</u>	<u>\$ (58,999)</u>

Contractual expenditures include current year additions to property and equipment. The difference from budget to actual was due to an increase in the development grants received which offset these expenditures. The difference in administrative expenditures was due to additional legal expense and other administrative costs not budgeted for during 2010. Other expenditures are made up of interest expense and amortization expense which were not budgeted for during 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, 2010, and have issued our report dated June 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
Rochester, New York
June 23, 2011