

**TOWN OF ERWIN COMMUNITY  
DEVELOPMENT AGENCY  
FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY**

**TABLE OF CONTENTS**

---

<b><u>AUDITED FINANCIAL STATEMENTS</u></b>	<b><u>PAGE</u></b>
INDEPENDENT AUDITORS' REPORT	1 - 2
STATEMENTS OF NET POSITION	3
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 - 13
 <b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
SCHEDULE OF AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	14
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS	15
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 <i>GOVERNMENT AUDITING STANDARDS</i>	16 - 17

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Town of Erwin Community Development Agency as of and for the years ended December 31, 2015 and 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Erwin Community Development Agency as of December 31, 2015 and 2014, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Correction of Error*

As indicated in Note 9, the December 31, 2014 financial statements have been restated subsequent to their issuance to correct an error in due to and due from other governments. Our opinion is not modified with respect to this matter.

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the Town of Erwin Community Development Agency adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of the agency's proportionate share of the net pension liability on page 14 and the schedule of employer's contributions on page 15 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 30, 2016, on our consideration of the Town of Erwin Community 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 Erwin Community Development Agency's internal control over financial reporting and compliance.

*EFPR Group, CPAs, PLLC*

EFPR Group, CPAs, PLLC  
(Formerly EFP Rotenberg, LLP)  
Rochester, New York  
March 30, 2016

**TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY**  
**Statements of Net Position**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>Restated 2014</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 136,853	\$ 129,914
Certificate of deposit	-	109,084
State and federal receivables	<u>57,358</u>	<u>-</u>
Total current assets	194,211	238,998
<b>Property and equipment - net</b>	<u>-</u>	<u>14,823</u>
<b>Total Assets</b>	194,211	253,821
<b>Deferred Outflows of Resources</b>	<u>54,405</u>	<u>54,726</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 248,616</u>	<u>\$ 308,547</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Due to other governments	\$ -	\$ 19,100
<b>Long-Term Liabilities</b>		
Net pension liability	<u>21,963</u>	<u>29,379</u>
<b>Total Liabilities</b>	21,963	48,479
<b>Net Position - Unrestricted</b>	<u>226,653</u>	<u>260,068</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 248,616</u>	<u>\$ 308,547</u>

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

**TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY**  
**Statements of Revenue, Expenses and Changes in Net Position**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>Restated 2014</u>
<b>Revenues</b>		
Federal aid - transportation	\$ 57,908	\$ -
Intergovernmental revenue	146,893	347,012
Unclassified revenue	54	15,800
Interest income	162	455
Refund of prior year expenditures	-	200
Gain on sale of fixed assets	16,333	-
Total revenues	<u>221,350</u>	<u>363,467</u>
<b>Expenses</b>		
Salaries	137,722	208,711
Employee benefits	15,570	20,901
Depreciation	1,155	1,980
Grants and awards expense	70,883	-
Other expense	4,975	17,330
Pension expense	24,460	54,726
Total expenses	<u>254,765</u>	<u>303,648</u>
<b>Change in Net Position</b>	(33,415)	59,819
<b>Net Position - Beginning, as Restated</b>	<u>260,068</u>	<u>200,249</u>
<b>Net Position - Ending</b>	<u>\$ 226,653</u>	<u>\$ 260,068</u>

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

**TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>Restated 2014</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from operating income	\$ (18,495)	\$ 42,494
Cash received from intergovernmental revenues	146,893	347,012
Refund of prior year expenditures	-	200
Payments of salaries and employee benefits	(184,847)	(309,685)
Payments of other expenses	(4,975)	(17,330)
Payments of grant expenditures	<u>(70,883)</u>	<u>-</u>
Net cash flows from operating activities	<u>(132,307)</u>	<u>62,691</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of land and building	30,000	-
Proceeds from certificate of deposit	109,084	-
Interest income	<u>162</u>	<u>128</u>
Net cash flows from investing activities	<u>139,246</u>	<u>128</u>
<b>Net Change in Cash and Cash Equivalents</b>	6,939	62,819
<b>Cash and Cash Equivalents - Beginning</b>	<u>129,914</u>	<u>67,095</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 136,853</u>	<u>\$ 129,914</u>
<b>Reconciliation of Change in Net Position to Net Cash Flows from Operating Activities</b>		
Change in net position	\$ (33,415)	\$ 59,819
Adjustments		
Depreciation	1,155	1,980
Gain on sale of fixed assets	(16,333)	-
Interest income	(162)	(455)
Changes in assets and liabilities		
Due from other governments	(57,358)	7,794
Due to other governments	(19,100)	18,900
Net pension liability	<u>(7,094)</u>	<u>(25,347)</u>
Net cash flows from operating activities	<u>\$ (132,307)</u>	<u>\$ 62,691</u>

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

**TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY**  
**Notes to Financial Statements**

---

**Note 1. Summary of Significant Accounting Policies and Nature of the Agency**

**Nature of the Agency** - The Town of Erwin Community Development Agency (the "Agency") is a local development corporation created August 1, 1975 pursuant to Article 15-B, Title 87 of New York State General Municipal Law. The purpose of the Agency is to accomplish any or all of the purposes specified in Article XV and XV-A of General Municipal Law. The Agency is a governmental agency separate and distinct from the Town of Erwin, New York (the "Town"), however, it functions as the Town's Community Development Department. The Agency has a board consisting of the Town supervisor and four members of the Town Board, and is included in the Annual Update Document prepared by the Town and filed with New York State.

**Basis of Accounting** - The Agency complies with the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature.

The accounts of the Agency are maintained on the accrual basis of accounting. Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on the determination of operating income, financial position, changes in net position and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. This includes the capitalization of fixed assets and recording long term debt as a fund liability.

**Estimates** - The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management with consideration given materiality. Actual results may differ from those estimates.

**Basis of Presentation** - The Agency complies with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements provide guidance on presenting deferred outflows, deferred inflows and net position. Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. GASB requires the classification of net position into three classifications defined as follows:

Net investment in capital assets - This component of net position consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - This component of net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external agency's such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets. At December 31, 2015 and 2014, the Agency did not have any restricted net position.

Unrestricted net position - This component of net position consists of all other net position that does not meet the definition of the above two components and is available for general use by the Agency.

**Cash and Cash Equivalents** - For purposes of the statements of net position and statements of cash flows, cash and cash equivalents includes, cash in money market funds, certificates of deposit and all highly liquid investments with original maturities of six months or less. The Agency maintains cash and cash equivalents at financial institutions which periodically may exceed federally insured limits.



**TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY**  
**Notes to Financial Statements**

---

**Due from Other Governments** - Due from other governments is stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the outstanding balances and current relationships, management has concluded that realization losses on balances outstanding at year end will be immaterial.

**Property and Equipment** - Property and equipment is stated at the lower of cost or fair market value at the date of purchase, less accumulated depreciation. Routine maintenance and repairs are charged to operations as they are incurred. Expenditures which extend the useful life of an asset in excess of \$500 are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated and the resulting gain or loss, if any, is included in operations. Depreciation is computed using the straight-line method over the following estimated useful lives.

Land	Not depreciable
Building	25 Years

Depreciation expense amounted to \$1,155 and \$1,980 for the years ended December 31, 2015 and 2014, respectively.

**Grant Income and Expense** - The Agency has costs relating to the Town of Erwin Sidewalk Project (TEP) and the Safe Routes to School: Erwin Valley School Walking & Biking Safety Improvements Project (SRTS). These projects are both federally funded projects passed through the New York State Department of Transportation and when the projects are completed they will be owned by the Town.

**Accounting and Financial Reporting for Pensions** - In the fiscal year ended December 31, 2015, the Agency implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements requires the Agency to report as a liability its portion of the collective pension liability in the New York State and Local Employees' Retirement System. The implementation of the Statements also requires the Agency to report a deferred outflow and/or inflow for the effect of the net change in the Agency's proportion of the collective net pension liability and difference during the measurement period between the Agency's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow is the Agency contributions to the pension system subsequent to the measurement date. See Note 7 for the financial statement impact of implementation of the Statements.

**Deferred Outflows of Resources** - In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. The first item is related to pensions reported in the statements of net position. This represents the effect of the net change in the Agency's proportion of the collective net pension liability and difference during the measurement period between the Agency's contributions and its proportion share of total contributions to the pension system not included in pension expense. Second is the Agency contributions to the pension system subsequent to the measurement date.

**Subsequent Events** - Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

**TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY**  
**Notes to Financial Statements**

---

**Note 2. Deposits with Financial Institutions and Investments**

**Policies** - The Agency follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conform with federal, state and other legal requirements; provide sufficient liquidity of invested funds in order to meet obligations as they become due; and obtain a reasonable rate of return. Oversight of investment activity is the responsibility of the Executive Director.

The Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within and authorized to do business in New York State. Permissible investments include special time deposit accounts, certificates of deposit and obligations of the United States or of federal agencies whose principal and interest payments are fully guaranteed by the federal government, or New York State or in general obligations of the State's political subdivisions.

Collateral is required for deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are those identified in New York State General Municipal Law, Section 10 and outlined in the New York State Comptroller's Financial Management Guide.

**Interest Rate Risk** - Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Agency's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - The Agency's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Agency's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Special time deposits;
- Obligations of the United States of America;
- Obligations where payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;
- Certificates of deposit.

**Custodial Credit Risk** - The risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Agency's investment and deposit policy, all deposits of the Agency, including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provision of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits and the agreed upon interest; or an "irrevocable letter of credit" issued by a qualified bank with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest; or by an eligible surety bond payable for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest. The Agency restricts the securities to the following eligible items:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations issued or fully insured or guaranteed by the State of New York.

At December 31, 2015 and 2014, all of the Agency's deposits were fully collateralized under FDIC insurance.

**TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY**  
**Notes to Financial Statements**

---

**Note 3. Property and Equipment**

Property and equipment consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Land	\$ -	\$ 5,500
Building	-	<u>49,500</u>
Sub-total	-	55,000
Less - accumulated depreciation	-	<u>(40,177)</u>
Property and equipment - net	<u>\$ -</u>	<u>\$ 14,823</u>

**Note 4. Due from Other Governments**

The Agency reports amounts as due from other governments, which consisted of funds claimed but not received from state and/or other governmental agencies. The Agency believes that all amounts due from other governments are fully collectible, therefore, no allowance for doubtful accounts has been recorded. Amounts due from other governments was comprised of the following as of December 31:

	<u>2015</u>	<u>2014</u>
New York State Department of Transportation	<u>\$ 57,358</u>	<u>\$ -</u>

**Note 5. Concentration in Revenue Sources**

During 2015, the Agency received approximately 69% and 24% of its total revenue in the form of support from the Town of Erwin and the New York State Department of Transportation, respectively.

During 2014, the Agency received approximately 95% of its revenue in the form of support from the Town of Erwin.

**Note 6. Related Parties and Related Party Transactions**

The Agency is related through common management and Board of Directors membership with the Town of Erwin and the Town of Erwin Industrial Development Agency (TEIDA), which also promotes economic development in the Town.

The Agency rents its offices on a month-to-month basis from the Town of Erwin at a cost of \$100 per month.

**TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY**  
**Notes to Financial Statements**

---

**Note 7. Employee Benefit Plan**

**Plan Description and Funding Policy**

The Agency participates in the New York State and Local Employees' Retirement System (the System). This is a cost-sharing multiple-employer defined benefit retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2015	\$	31,555
2014	\$	54,726
2013	\$	67,918

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2015, the Agency reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Agency.

Actuarial valuation date	4/1/2014
Net pension liability	\$ 21,963
Agency's portion of the Plan's total net pension liability	0.0006502 %

**TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY**  
**Notes to Financial Statements**

---

For the year ended December 31, 2015, the Agency's recognized pension expense of \$24,460. At December 31, 2015 the Agency's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 703	\$ -
Net difference between projected and actual investment earnings on pension plan investments	3,815	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,332	-
Employer contributions subsequent to the measurement date	<u>31,555</u>	<u>-</u>
Total	<u>\$ 54,405</u>	<u>\$ -</u>

Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the fiscal years ending December 31:

2016		\$ 5,712
2017		\$ 5,712
2018		\$ 5,712
2019		\$ 5,714

*Actuarial Assumptions*

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

Measurement date		3/31/2015
Actuarial valuation date		4/1/2014
Interest rate		7.5%
Salary scale (average)		4.9%
Inflation		2.7%
Decrement table	Society of Actuaries Scale MP-2014 April 1, 2005 - March 31, 2010 System's Experience	

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014. The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

**TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY**  
**Notes to Financial Statements**

---

<u>Asset Type</u>	<u>Long Term Expected Real Rate</u>
Domestic equity	7.3 %
International equity	8.6 %
Private equity	11.0 %
Real estate	8.3 %
Absolute return strategies	6.8 %
Opportunistic portfolio	8.6 %
Real assets	8.7 %
Bonds and mortgages	4.0 %
Cash	2.3 %
Inflation-indexed bonds	4.0 %

*Discount Rate*

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of the net pension liability to changes in the discount rate assumption*

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5% per annum (the "current assumption"), as well as what the Agency's proportionate share of the net position liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Assumption (7.5%)</u>	<u>1% Increase (8.5%)</u>
Town of Erwin Community Development Agency's proportionate share of the net pension liability	\$ 146,397	\$ 21,963	\$ (83,089)

*Pension Plan Fiduciary Net Position*

The components of the current year net pension liability of the employers as of valuation date was as follows:

Valuation date	4/1/2014
Employers' total pension liability	\$ 164,591,504,000
Plan net position	<u>(161,213,259,000)</u>
Employers' net pension liability	<u>\$ 3,378,245,000</u>

Ratio of plan net position to the employers' total pension liability	97.9 %
--	--------

**TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY**  
**Notes to Financial Statements**

---

**Note 8. Reclassifications**

Certain reclassifications have been made to the December 31, 2014 financial statement presentation to correspond to the current year's format. Net position and changes in net position are unchanged due to these reclassifications.

**Note 9. Restatement**

For the year ended December 31, 2015, the Agency implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. The implementation of Statement No. 68 resulted in the reporting of a deferred outflow of resources and liability related to the Agency's participation in the New York State Employees' Retirement System. The Agency's net position has been restated as follows:

Net position beginning of year - as previously stated	\$ 256,810
GASB Statement No. 68 implementation	<u>25,347</u>
Net position beginning of year - as restated - for pensions	282,157
Restatement - to properly reflect due to and due from other governments	<u>(22,089)</u>
Net position beginning of year - as restated	<u>\$ 260,068</u>

**TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY**  
**Schedule of Agency's Proportionate Share of the Net Pension Liability**  
**For The Year Ended December 31, 2015**

---

	<u>2015</u>	<u>2014</u>
The Agency's proportion of the net pension liability	0.0006502 %	0.0006502 %
The Agency's proportionate share of the net pension liability	\$ 21,963	\$ 29,379
The Agency's covered employee payroll	\$ 137,722	\$ 208,711
The Agency's proportionate share of the net pension liability as a percentage of covered employee payroll	15.95 %	14.08 %
Plan fiduciary net position as a percentage of the total pension liability	97.90 %	97.20 %



**TOWN OF ERWIN COMMUNITY DEVELOPMENT AGENCY**  
**Schedule of Employer's Contributions**  
**For The Year Ended December 31, 2015**

---

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 31,555	\$ 54,726	\$ 67,918	\$ 39,537	\$ 29,517	Not available	Not available	Not available	Not available	Not available
Contribution in relation to the contractually required contribution	<u>31,555</u>	<u>54,726</u>	<u>67,918</u>	<u>39,537</u>	<u>29,517</u>	Not available	Not available	Not available	Not available	Not available
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Contribution as a percentage of covered employee payroll	22.91 %	25.80 %	23.39 %	13.78 %	10.85 %					

**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**

The Board of Directors  
Town of Erwin Community Development Agency  
Painted Post, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Town of Erwin Community Development Agency, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town of Erwin Community Development Agency's basic financial statements, and have issued our report thereon dated March 30, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Erwin Community Development Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Erwin Community Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Erwin Community Development Agency's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the agency'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.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC  
(Formerly EFP Rotenberg, LLP)  
Rochester, New York  
March 30, 2016