

Auburn Industrial Development Authority

Financial Report

December 31, 2013 and 2012

Auburn Industrial Development Authority

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December 31, 2013 and 2012

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Buffington & Hoatland CPAs

A Professional Limited Liability Company

Independent Auditor's Report

To the Board of Directors
Auburn Industrial Development Authority

We have audited the accompanying financial statements of Auburn Industrial Development Authority (Authority), a component unit of the City of Auburn, State of New York, as of and for the years ended December 31, 2013 and 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Auburn Industrial Development Authority, a component unit of the City of Auburn, State of New York, as of December 31, 2013 and 2012, and the respective changes in financial position and,

where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 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.

Buffington & Hoatland CPAs PLLC

Buffington & Hoatland CPAs, PLLC
Auburn, New York
March 19, 2014

Management's Discussion and Analysis

This section of the Auburn Industrial Development Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the years ended December 31, 2013 and 2012. It should be read in conjunction with the Authority's financial statements and accompanying notes.

Basic Financial Statements

The annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Authority is a self-supporting entity and the accounts are recorded in accordance with a proprietary fund type. Proprietary fund type operating statements present increases and decreases in net assets. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in 2012. The adoption of this statement changed the presentation of the basic financial statements to a statement of net position format.

Required Financial Statements

The financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues and Expenses. This statement measures the financial success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The third required statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the period.

Condensed Comparative Financial Information

The following table contains selected financial information for the past two years.

<u>Category</u>	<u>2013</u>	<u>2012</u>
Cash and Investments	\$ 299,176	\$ 77,867
Capital Assets	273,694	273,694
Other Assets	2,588,535	3,752,193
Total Assets	<u>\$ 3,161,405</u>	<u>\$ 4,103,754</u>
Current Liabilities	\$ 682,560	\$ 693,698
Long-Term Debt	2,115,015	3,135,825
Total Liabilities	<u>\$ 2,797,595</u>	<u>\$ 3,829,523</u>

Condensed Comparative Financial Information (Continued)

<u>Category</u>	<u>2013</u>	<u>2012</u>
Total Revenues (other than PILOT and pass through)	\$ 112,346	\$ 36,549
Total Expenses (other than PILOT and pass through)	(22,747)	(30,466)
Increase in Net Position	<u>\$ 89,599</u>	<u>\$ 6,083</u>
Net Position - Invested in capital, net of related debt	\$ 205,594	\$ 205,594
Net Position - Unrestricted	<u>158,236</u>	<u>68,637</u>
Total Net Position	<u>\$ 363,830</u>	<u>\$ 274,231</u>

Change in financial categories between 2013 and 2012 include the following:

- The Authority's total net position increased \$89,599 or 32.7%
- Cash and Investments increased \$221,309 or 284.2 %
- Current liabilities, other than PILOT payments, decreased \$156,138 or 23%
- Operating Revenues, other than PILOT payments increased \$75,868 or 207.6 %
- Operating Expenses, other than PILOT payments decreased \$7,719 or 25.4%

Financial Analysis of the Agency

The Authority is engaged in activities to support economic growth in the City of Auburn, including job creation and retention, and increasing the net wealth of the City. The Authority does not receive any general appropriations from local, county or state government to support its operations. The Authority collects revenue for its operating purposes from the issuance of bonds and PILOTS, administrative fees, straight lease transactions, and from interest on investments. In the year ended December 31, 2013, the Authority received in administrative fees and interest income from these sources \$112,346, an increase of \$75,868 from the prior year. In the year ended December 31, 2012, the Authority received in administrative fees and investment income from these sources \$36,549, an decrease of \$49,756 from the prior year. The increase is due to more PILOT negotiations and related fees during the fiscal year. For qualified transactions, the Authority enters into PILOT agreements in which the Authority collects payments that are disbursed to the appropriate tax jurisdictions. The PILOT payments are a significant component in the annual revenues of the Authority, equaling \$1,370,480 and \$1,502,955 in the year ended December 31, 2013 and 2012, respectively. During the year ended December 31, 2013, the Authority negotiated three new PILOT agreements.

Capital Asset and Debt Administration

Capital Assets: As of December 31, 2013, the Authority's investment in capital assets was \$273,694 (net of depreciation). The principal capital assets of the Authority are 39.75 acres of land, acquired as part of the strategic acquisition of land and buildings for future development. This is exclusive of property leases.

Long Term Debt: The Authority has three long term debt obligations consisting of 1 bond and 2 notes that total \$2,285,154. The Authority did not incur any new long term debt obligations in the year ended December 31, 2013. One note payable was paid off during the year ended December 31, 2013. The obligations include:

Bond Payable:

- Bluefield Manor Housing, Inc.
The bond's balance at December 31, 2013 is \$2,285,154 payable in monthly installments of \$17,948 including interest at 5-year treasury rates plus ½ percent adjustable on 5-year anniversaries until August 1, 2030. The interest rate is the prevailing five year treasury bill rate plus ½%. The bond is collateralized by the property and equipment, accounts receivable and general intangibles.

Notes Payable:

- A note payable to City of Auburn of \$45,000 with annual interest payments of \$1,350 representing interest only at 3% commencing February 2001. Principal is due upon the sale of 59 Case Avenue, Auburn. Collateralized by a first mortgage on the property.
- A note payable to the City of Auburn of \$23,100 with annual interest payments of \$690, representing interest at 3%, commencing April 2002. Principal due upon sale of property at 5,000 Technology Park Boulevard, Auburn. Collateralized by a mortgage on the property.

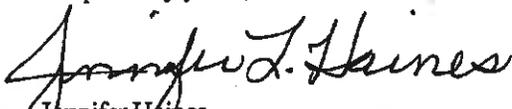
Economic Factors

The Authority's basic purpose is to assist business growth and expansion in Cayuga County, New York. The business and economic climate in the County has been relatively steady over the past two years, despite more adverse conditions facing other parts of the United States. At the present time the Authority has one active application for a PILOT agreement.

Contacting the Authority's Financial Management

This financial report is designed to provide the City of Auburn's citizens and taxpayers, and the clients of the Authority, with a general overview of the Authority's finances. If you have questions about this report or need additional financial information, contact the City of Auburn.

Respectfully yours,


Jennifer Haines
Executive Director

Auburn Industrial Development Authority

Statements of Net Position

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 299,176	\$ 77,867
PILOT payment receivable	303,381	456,032
Property leases - current	<u>93,239</u>	<u>228,436</u>
Total Current Assets	<u>695,796</u>	<u>762,335</u>
Capital Assets		
Land	273,694	273,694
Equipment	<u>35,458</u>	<u>35,458</u>
	309,152	309,152
Less: Accumulated depreciation	<u>(35,458)</u>	<u>(35,458)</u>
Total Capital Assets, Net	<u>273,694</u>	<u>273,694</u>
Property Leases - Net of Current	<u>2,191,915</u>	<u>3,067,725</u>
 Total Assets	 <u><u>\$ 3,161,405</u></u>	 <u><u>\$ 4,103,754</u></u>

See notes to financial statements.

	<u>2013</u>	<u>2012</u>
Liabilities and Net Assets		
Current Liabilities		
Bonds payable - current	\$ 93,239	\$ 228,436
Interest payable	13,770	11,730
PILOT payments payable	430,551	453,532
Total Current Liabilities	<u>537,560</u>	<u>693,698</u>
Long-Term Debt		
Bonds payable, net of current	2,191,915	3,067,725
Notes payable	68,100	68,100
Total Long-Term Debt	<u>2,260,015</u>	<u>3,135,825</u>
Total Liabilities	<u>2,797,575</u>	<u>3,829,523</u>
Net Position		
Invested in capital assets, net of related debt	205,594	205,594
Unrestricted	158,236	68,637
Total Net Postion	<u>363,830</u>	<u>274,231</u>
Total Liabilities and Net Position	<u>\$ 3,161,405</u>	<u>\$ 4,103,754</u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Revenue and Expenses

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Revenue		
PILOT revenue	\$ 1,370,480	\$ 1,502,955
Administrative fee income	112,300	36,432
Total Operating Revenue	<u>1,482,780</u>	<u>1,539,387</u>
Operating Expenses		
PILOT expenses	1,370,480	1,502,955
Dues and subscriptions	1,075	1,000
Office supplies	268	968
Professional fees	12,895	13,045
Contract services	5,859	
Conferences, seminars, and trade shows	533	3,413
Miscellaneous	77	10,000
Total Operating Expenses	<u>1,391,187</u>	<u>1,531,381</u>
Operating Income	<u>91,593</u>	<u>8,006</u>
Non-Operating Income (Expenses)		
Interest income	46	117
Interest expense	(2,040)	(2,040)
Total Non-Operating Income (Expenses)	<u>(1,994)</u>	<u>(1,923)</u>
Changes in Net Position	<u>\$ 89,599</u>	<u>\$ 6,083</u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Changes in Net Position **Years Ended December 31, 2013 and 2012**

	Invested in Capital Assets, Net of Related Debt	Unrestricted	Total Net Position
Net Position - Beginning January 1, 2012	\$ 148,374	\$ 119,774	\$ 268,148
Transfer for the payment of debt, related to capital asset	57,220	(57,220)	-
Changes in net position	-	6,083	6,083
Net Position - Ending December 31, 2012	205,594	68,637	274,231
Changes in net position	-	89,599	89,599
Net Position - Ending December 31, 2013	<u>\$ 205,594</u>	<u>\$ 158,236</u>	<u>\$ 363,830</u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Cash received for PILOT program	\$ 1,523,130	\$ 1,328,677
Cash payments for PILOT program	(1,399,320)	(1,328,677)
Cash paid for professional fees	(12,895)	(13,045)
Cash received for administrative fees	112,300	36,432
Cash received from interest income	46	117
Cash paid for other operating expenses	(1,952)	(15,381)
Net Cash Provided by Operating Activities	<u>221,309</u>	<u>8,123</u>
Cash Flows from Financing Activities		
Payment on notes payable	-	(57,220)
Net Increase (Decrease) in Cash and Cash Equivalents	221,309	(49,097)
Cash and Cash Equivalents - Beginning	<u>77,867</u>	<u>126,964</u>
Cash and Cash Equivalents - Ending	<u>\$ 299,176</u>	<u>\$ 77,867</u>
Reconciliation of Changes in Net Position to Net Cash Provided by Operating Activities		
Changes in net position	\$ 89,599	\$ 6,083
Adjustments to reconcile change in net position to net cash provided by operating activities:		
(Increase) decrease in assets:		
PILOT payments receivable	152,651	(171,788)
Increase (decrease) in liabilities:		
Interest payable	2,040	2,040
PILOT payments payable	(22,981)	171,788
Net Cash Provided by Operating Activities	<u>\$ 221,309</u>	<u>\$ 8,123</u>

See notes to financial statements.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2013 and 2012

Note 1 - Nature of Operations

The Auburn Industrial Development Authority was created by the New York State Legislature in 1969 as Title 15 of Article 8 of the Public Authorities Law. The Authority was formed to promote and develop the economic growth of the City of Auburn and to assist in attracting industry to the City through bond and sale/leaseback financing programs and other activities. The Authority created under this Act is a corporate governmental Authority constituting a public benefit corporation. The Authority is considered a component unit of the City of Auburn.

Note 2 - Estimates and Summary of Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting and Presentation

The Authority's accounts are recorded in accordance with a proprietary fund type.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Proprietary fund type operating statements present increases and decreases in net assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board for proprietary funds. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent they do not conflict or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The Authority has elected not to follow subsequent private sector guidance.

The Authority adopted GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2013 and 2012

Note 2 - Estimates and Summary of Accounting Policies (Continued)

Operating and Non-Operating Revenue

The Authority's revenue consists of operating and non-operating revenue. Operating revenue is revenue collected from PILOT agreements, grants and income from administrative functions. Non-operating revenue is interest income and other investment income.

PILOT Payments Receivable

PILOT payments receivable are stated at outstanding balances. The Authority considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Capital Assets

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Capital assets are carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight line method over the following useful lives of the respective classes of property:

	<u>Years</u>
Equipment	5 - 7

Depreciation expense was \$-0- for the years ended December 31, 2013 and 2012.

Net Positions

Net positions are divided into three components:

Invested in Capital Assets, Net of Related Debt

This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted Net Position

This component of net position consists of amounts which have external constraints placed on their use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At December 31, 2013 and 2012, the Authority has no restricted net positions.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2013 and 2012

Note 2 - Estimates and Summary of Accounting Policies (Continued)

Net Positions (Continued)

Unrestricted Net Position

This component of net positions consists of funds that do not meet the definition of invested in capital assets, net of related debt”, or “restricted”.

Supplemental Disclosures - Statements of Cash Flow

The Authority considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Non-Cash Transactions

The Authority does not collect on its capital lease arrangements as explained in Note 4. The increase and decrease in investments in property leases and bonds payable paid by the entity directly to the related financial institution are the non-cash items.

Conduit Debt Obligations

The term *conduit debt obligations* refers to debt instruments issued by the Authority for the express purpose of providing capital financing for a specific third party that is not a part of the Authority’s financial reporting entity. Although conduit debt obligations bear the name of the Authority, the Authority has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued.

Concentration of Credit Risk

The Authority maintains its cash balances in one financial institution located in Auburn, New York. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 for the years ended December 31, 2013 and 2012, respectively. The amounts over the FDIC limit are secured by United States Treasury Bills.

Tax-Exempt Status

The Authority has been organized under the Public Authorities Law by the New York State Legislature. Under Code Section 2326, Article 8, Title 15 of this law, the Authority is exempt from income taxes and immune from other taxes. Therefore, no provision is made for taxes on income.

Payments in Lieu of Tax Agreements

The Authority has entered into a Payment in Lieu of Tax (PILOT) agreement with various companies, whereas the company will make annual payments in lieu of taxes to the Authority and the Authority will remit the annual payments to the appropriate tax jurisdictions. The Authority will have a liability for any amounts paid by the company to the Authority but not distributed to the tax jurisdictions.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2013 and 2012

Note 3 - Capital Assets

Capital asset additions, retirements, and balances consist of the following for the years ended December 31:

	<u>Balance December 31, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2013</u>
Land	\$ 273,694	\$ -	\$ -	\$ 273,694
Equipment	35,458	-	-	35,458
Totals at Cost	309,152	-	-	309,152
Accumulated depreciation for: Equipment	(35,458)	-	-	(35,458)
Capital Assets, Net	<u>\$ 273,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,694</u>
	<u>Balance December 31, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2012</u>
Land	\$ 273,694	\$ -	\$ -	\$ 273,694
Equipment	35,458	-	-	35,458
Totals at Cost	309,152	-	-	309,152
Accumulated depreciation for: Equipment	(35,458)	-	-	(35,458)
Capital Assets, Net	<u>\$ 273,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,694</u>

Note 4 - Property Leases and Bonds Payable

In accordance with its corporate purpose, the Authority has issued bonds to promote and develop various businesses within the City of Auburn. The Authority holds legal title to the properties, under which such bonds were issued in order for businesses to acquire or renovate various facilities. The bonds represent non-recourse debt of the Authority. The Authority's primary function is to arrange financing between borrowing companies and bondholders. For providing this service, the Authority receives administration fees from the borrowing companies.

The Authority leases the facilities to the businesses under capital lease arrangements. These leases are considered to be capital leases since the lessee can purchase the facility at the end of the lease term for a nominal amount.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2013 and 2012

Note 4 - Property Leases and Bonds Payable (Continued)

Each asset, "Property Leases" is offset by an equal liability "Bonds Payable". The Authority acts as an intermediary between the principal receipts from the lessee and the principal payments on the bonds as the Authority does not receive or pay these monies directly. Any interest collected and paid on the bonds is excluded from the accompanying statements.

As of December 31, 2013, the Authority has outstanding the following leases and bonds:

1. Bluefield Manor Housing, Inc. dated December 21, 2001.

These entities have arrangements with the Authority for reduced real estate taxes which are called Payments in Lieu of Taxes (PILOT). In addition, the Authority has fourteen PILOT agreements with other companies. The Authority collects these payments from each of these companies then remits them to the appropriate taxing authorities. The arrangements end at the expiration of each lease.

Note 5 - Bonds Payable

The Authority has the following bonds as of December 31:

	<u>2013</u>	<u>2012</u>
Fat Tire, LLC:		
Variable interest paid quarterly; matures July 1, 2018; quarterly principal payments per a variable payment schedule beginning July, 1998; secured by property lease. The bond was paid off in January 2013.	\$ -	\$905,000
Bluefield Manor Housing, Inc.:		
Balance payable in monthly installments of \$17,948 of principal and interest at a rate of 5.30% through August, 2010 the interest rate is 5.07%; payable in monthly installments of \$14,199 of principal and interest at a rate of 2.71% from September, 2010 to August, 2015; interest will be adjusted every five years and fixed at the prevailing five year Treasury bill rate plus ½%; note is collateralized by security interest in the property and equipment, accounts receivable, and general intangibles	<u>2,285,154</u>	<u>2,391,161</u>
	2,285,154	3,296,161
Current portion	<u>93,239</u>	<u>228,436</u>
	<u>\$2,191,915</u>	<u>\$3,067,725</u>

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2013 and 2012

Note 5 - Bonds Payable (Continued)

Each of the bond accounts is held by a bank as trustee. The lessees pay the trustees directly the required principal and interest payments.

Aggregate maturities of long-term debt, assuming no change in current terms, consist of the following for the five years ending December 31:

2014	\$ 93,239
2015	97,302
2016	97,302
2017	97,302
2018	97,302
Thereafter	<u>1,802,707</u>
	<u>\$2,285,154</u>

Note 6 - Notes Payable

In conjunction with the purchase of properties, the Authority entered into the following debt obligations with the City of Auburn as of December 31:

	<u>2013</u>	<u>2012</u>
Note payable to the City of Auburn, with annual interest payments of \$1,350, representing interest only at 3% commencing February, 2001; principal due upon the sale of 59 Case Avenue, Auburn; collateralized by a first mortgage on the property	\$ 45,000	\$ 45,000
Note payable to the City of Auburn with annual interest payments of \$690, representing interest only at 3%, commencing April, 2002; principal due upon sale of property at 5000 Technology Park Boulevard, Auburn; collateralized by a mortgage on the property.	<u>23,100</u>	<u>23,100</u>
	<u>\$ 68,100</u>	<u>\$68,100</u>

Note 7 – Subsequent Events

Management has evaluated subsequent events through March 19, 2014, the date on which the financial statements were available to be issued.



Buffington & Hoatland CPAs

A Professional Limited Liability Company

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*

To the Board of Directors
Auburn Industrial Development Authority

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 Auburn Industrial Authority as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Auburn Industrial Development Authority's basic financial statements, and have issued our report thereon dated March 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Auburn Industrial Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Auburn Industrial Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Auburn Industrial Development Authority'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 described in the accompanying schedule of findings and responses to be material weaknesses. 2013-1 and 2013-2. 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 Auburn Industrial Development Authority'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*.

Response to Findings

Auburn Industrial Development Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Auburn Industrial Development Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Buffington & Hoatland CPAs PLLC

Buffington & Hoatland CPAs, PLLC
Auburn, New York
March 19, 2014

Auburn Industrial Development Authority

Schedule of Findings and Responses

December 31, 2013 and 2012

Section I. Financial Statement Findings

Finding - 2013-1:

- Condition:* The Authority's chief financial officer was not reviewing the Authority's accounting on a monthly basis.
- Criteria:* The Authority must have internal controls over accounting that prevent, detect and correct misstatements.
- Cause:* The Authority had a deviation in internal controls over accounting during the year.
- Effect:* A deviation in internal control over the accounting would not have prevented, detected or corrected a material misstatement.
- Recommendation:* We recommend that the Chief financial officer reviews the Authority's accounting on a monthly basis.
- Corrective Action:* The Executive Director will make it a priority that the chief financial officer reviews the accounting on a monthly basis.

Finding - 2013-2:

- Condition:* The Authority's board of directors were not receiving monthly financial reports during the year.
- Criteria:* The Authority must have internal controls over the monthly financial reports.
- Cause:* Management was not presenting the board with monthly financial reports.
- Effect:* There is more than a remote likelihood that a material misstatement will not be prevented, detected or corrected by the Authority.
- Recommendation:* We recommend that Management present monthly financial reports to the board for their review and approval.
- Corrective Action:* Management of the Authority will provide monthly financial reports to the board for their review and approval.