Auburn Industrial Development Authority

Financial Report

December 31, 2014 and 2013

Auburn Industrial Development Authority

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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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 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, 2014 and 2013, 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

Required Supplementary Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, on our consideration of Auburn Industrial Development Authority'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 Auburn Industrial Development Authority's internal control over financial reporting and compliance.

Buffington & Hoatland CPAs PLLC

Buffington & Hoatland CPAs, PLLC
Auburn, New York
March 25, 2015

Management's Discussion and Analysis (Unaudited)

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, 2014 and 2013. 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.

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 with the difference reported as net position. It 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.

Category	2014	2013
Cash and Investments	$ 862,501	$ 299,176
Capital Assets	255,410	273,694
Other Assets	2,176,224	2,588,535
Total Assets	$ 3,294,135	$ 3,161,405
Current Liabilities	$ 702,447	$ 537,560
Long-Term Debt	2,199,324	2,260,015
Total Liabilities	$ 2,901,771	$ 2,797,595

Condensed Comparative Financial Information (Continued)

Category	2014	2013
Total Revenues (other than PILOT and pass through)	$ 50,180	$ 112,346
Total Expenses (other than PILOT and pass through)	(21,646)	(22,747)
Increase in Net Position	$ 28,534	$ 89,599
Net Position - Invested in Capital, Net of Related Debt	$ 232,310	$ 205,594
Net Position - Unrestricted	160,054	158,236
Total Net Position	$ 392,364	$ 363,830

Change in financial categories between 2014 and 2013 include the following:

- The Authority's total net position increased $28,534 or 0.8%
- Cash and Investments increased $563,325 or 188.3%
- Current Liabilities, other than PILOT payments, increased $82,467 or 15.4%
- Operating Revenues, other than PILOT payments decreased $93,845 or 83.6 %
- Operating Expenses, other than PILOT payments increased $249 or 0.1%

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, 2014, the Authority received in administrative fees and interest income from these sources $18,455, a decrease of $93,845 from the prior year. In the year ended December 31, 2013, the Authority received in administrative fees and investment income from these sources $112,300. The decrease is due to fewer 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 $1,280,935 and $1,370,480 in the year ended December 31, 2014 and 2013, respectively. During the year ended December 31, 2014, the Authority negotiated one new PILOT agreement. In 2014, the Authority sold 6.44 acres of land located on Allen Street for a total of $50,000 to promote the expansion of business.

Capital Asset and Debt Administration

Capital Assets: As of December 31, 2014, the Authority's investment in capital assets was $285,410 (net of depreciation). The principal capital assets of the Authority are 28.31 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 two long-term debt obligations consisting of one bond and one note that total $2,199,324. The Authority did not incur any new long-term debt obligations in the year ended December 31, 2014. One note payable was paid off during the year ended December 31, 2014. The obligations include:

Bond Payable:

- Bluefield Manor Housing, Inc.
  The bond's balance at December 31, 2014 is $2,176,224 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 $23,100 with annual interest payments of $690, representing interest only at 3% commencing April 2002. Principal is due upon the sale of 5000 Technology Park Boulevard, Auburn. Collateralized by a first 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 no active applications for a PILOT agreement. On June 1, 2014, the Authority entered into an agreement with Cayuga Economic Development Agency, Inc. for the Agency to provide administrative services to the Authority.

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 Cayuga Economic Development Agency.

Respectfully yours,

Andrew R. Fish
Executive Director

Auburn Industrial Development Authority

Statements of Net Position

December 31, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 862,501	$ 299,176
PILOT payment receivable	-	303,381
Property leases - current	112,004	93,239
Total Current Assets	974,505	695,796
Capital Assets		
Land	255,410	273,694
Equipment	35,458	35,458
	290,868	309,152
Less: Accumulated depreciation	(35,458)	(35,458)
Total Capital Assets, Net	255,410	273,694
Property Leases - Net of Current	2,064,220	2,191,915
Total Assets	$ 3,294,135	$ 3,161,405

See notes to financial statements.

	2014	2013
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 78,321	$ 5,859
Bonds payable - current	112,004	93,239
Interest payable	5,010	13,770
PILOT payments payable	619,116	424,692
Total Current Liabilities	814,451	537,560
Long-Term Debt		
Bonds payable, net of current	2,064,220	2,191,915
Notes payable	23,100	68,100
Total Long-Term Debt	2,087,320	2,260,015
Total Liabilities	2,901,771	2,797,575
Net Position		
Invested in capital assets, net of related debt	232,310	205,594
Unrestricted	160,054	158,236
Total Net Position	392,364	363,830
Total Liabilities and Net Position	$ 3,294,135	$ 3,161,405

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Revenue and Expenses

Years Ended December 31, 2014 and 2013

	2014	2013
Operating Revenue		
PILOT revenue	$ 1,280,935	$ 1,370,480
Administrative fee income	18,455	112,300
Total Operating Revenue	1,299,390	1,482,780
Operating Expenses		
PILOT expenses	1,280,935	1,370,480
Dues and subscriptions	75	1,075
Office supplies	146	268
Professional fees	9,270	12,895
Contract services	10,000	5,859
Conferences, seminars, and trade shows	1,465	533
Miscellaneous	-	77
Total Operating Expenses	1,301,891	1,391,187
Operating Income (Loss)	(2,501)	91,593
Non-Operating Income (Expenses)		
Interest income	9	46
Interest expense	(690)	(2,040)
Gain on sale of land	31,716	-
Total Non-Operating Income (Expenses)	31,035	(1,994)
Changes in Net Position	$ 28,534	$ 89,599

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Changes in Net Position

Years Ended December 31, 2014 and 2013

	Invested in Capital Assets, Net of Related Debt	Unrestricted	Total Net Position
Net Position - Beginning January 1, 2013	$ 205,594	$ 68,637	$ 274,231
Changes in net position	-	89,599	89,599
Net Position - Ending December 31, 2013	205,594	158,236	363,830
Changes in net position	26,716	1,818	28,534
Net Position - Ending December 31, 2014	$ 232,310	$ 160,054	$ 392,364

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Cash received for PILOT program	$ 1,655,155	$ 1,523,130
Cash payments for PILOT program	(1,053,861)	(1,399,320)
Cash paid for professional fees	(9,270)	(12,895)
Cash paid for interest expense	(8,760)	-
Cash received for administrative fees	18,455	112,300
Cash received from interest income	9	46
Cash paid for other operating expenses	(11,687)	(1,952)
Net Cash Provided by Operating Activities	590,041	221,309
Cash Flows from Investing Activities		
Proceeds from sale of land	50,000	-
Gain on sale of land	(31,716)	-
Net Cash Provided by Investing Activities	18,284	-
Cash Flows from Financing Activities		
Payment on notes payable	(45,000)	-
Net Increase (Decrease) in Cash and Cash Equivalents	563,325	221,309
Cash and Cash Equivalents - Beginning	299,176	77,867
Cash and Cash Equivalents - Ending	$ 862,501	$ 299,176
Reconciliation of Changes in Net Position to Net Cash Provided by Operating Activities		
Changes in net position	$ 28,534	$ 89,599
Adjustments to reconcile change in net position to net cash provided by operating activities:		
(Increase) decrease in assets:		
PILOT payments receivable	303,381	152,651
Increase (decrease) in liabilities:		
Accounts payable	72,462	-
Interest payable	(8,760)	2,040
PILOT payments payable	194,424	(22,981)
Net Cash Provided by Operating Activities	$ 590,041	$ 221,309

See notes to financial statements.

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 - Summary of Accounting Policies

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.

Estimates

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.

Note 2 - 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:

	Years
Equipment	5 - 7

Depreciation expense was $-0- for the years ended December 31, 2014 and 2013.

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, 2014 and 2013, the Authority has no restricted net positions.

Note 2 - 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, 2014 and 2013, 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.

Note 3 - Capital Assets

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

	Balance December 31, 2013	Additions	Retirements	Balance December 31, 2014
Land	$ 273,694	$ -	$ 18,286	$ 255,408
Equipment	35,458	-	-	35,458
Totals at Cost	309,152	-	18,286	290,866
Accumulated depreciation for:				
Equipment	(35,458)	-	-	(35,458)
Capital Assets, Net	$ 273,694	$ -	$ 18,286	$ 255,408

	Balance December 31, 2012	Additions	Retirements	Balance December 31, 2013
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	$ 273,694	$ -	$ -	$ 273,694

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.

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, 2014, 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 eleven active and five inactive 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:

	2014	2013
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.	$2,176,224	$2,285,154
Current portion	112,004	93,239
	$2,064,220	$2,191,915

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:

2015	$ 112,004
2016	114,963
2017	118,319
2018	120,460
2019	122,601
Thereafter	1,587,877
	$2,176,224

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:

	2014	2013
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. This loan was repaid during year ended 2014.	$ -	$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.	23,100	23,100
	$23,100	$68,100

Note 7 – Subsequent Events

Management has evaluated subsequent events through March 25, 2015, 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, 2014, 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 25, 2015.

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.

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. 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 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*.

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 25, 2015