

Auburn Industrial Development Authority

Financial Report

December 31, 2020 and 2019

Auburn Industrial Development Authority

Table of Contents

December 31, 2020 and 2019

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	3
Financial Statements	
Statements of Net Position	6
Statements of Revenue and Expenses	7
Statements of Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10
Other Reports and Schedules	
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 <i>Governmental Auditing Standards</i>	15
Schedule of Findings and Responses	17
Report on Compliance with Section 2925(3)(f) of the New York State Public Authorities Law	18



Buffington & Hoatland CPAs

A Professional Limited Liability Company

Independent Auditor's Report

To the Board of Directors
Auburn Industrial Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Auburn Industrial Development Authority, a component unit of the City of Auburn, State of New York, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Auburn Industrial Development 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Auburn Industrial Development Authority, a component unit of the City of Auburn, State of New York, as of December 31, 2020 and 2019, and the respective changes in financial position, and 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 and budgetary comparison information 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 17, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Auburn Industrial Development Authority's 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 17, 2021

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 year ended December 31, 2020. 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 year.

Category	2020	2019
Cash and Investments	\$ 759,612	\$ 99,479
Capital Assets	326,212	309,712
Other Assets	13,144	726,018
Total Assets	\$ 1,098,968	\$ 1,135,209
Current Liabilities	\$ 617,621	\$ 744,211
Long-Term Debt	23,100	23,100
Total Liabilities	\$ 640,721	\$ 767,311

Condensed Comparative Financial Information (Continued)

Category	2020	2019
Total Revenues	\$ 179,896	\$ 54,001
Total Expenses	(89,547)	(35,356)
Decrease in Net Position	\$ 90,349	\$ 18,645
Net Position - Invested in Capital, Net of Related Debt	\$ 303,112	\$ 286,612
Net Position - Unrestricted	155,135	81,286
Total Net Position	\$ 458,247	\$ 367,898

Change in financial categories between 2020 and 2019 include the following:

- The Authority's total net position increased \$90,349 or 24.6%
- Cash and Investments increased \$660,133 due to an increase in operating revenue in 2020 and an increased amount of undistributed PILOT payments at year-end, compared to 2019.
- Current Liabilities, other than PILOT payments, increased \$13,632 or 71.6%.
- Operating Revenues increased \$126,412 resulting from a large project that was undertaken in 2020.
- Operating Expenses increased \$54,191, which is related to a new branding initiative that was launched in 2020.

Financial Analysis of the Authority

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, and from interest on investments. In the year ended December 31, 2020, the Authority received administrative fees and interest income from these sources in the amount of \$179,896, an increase of \$125,895 from the prior year. In the year ended December 31, 2019, the Authority received administrative fees and investment income from these sources in the amount of \$54,001. The increase is due to an increase in the quantity and size of project applications in 2020, and thus fees related to new or amended projects entered into 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. PILOT payments equaled \$1,252,497, plus \$13,144 still receivable, in the year ended December 31, 2020. This is an increase of \$75,649 compared to 2019. The increase is related to normal annual reduction of abatement for most projects, as well as some increased property assessments and on new PILOT starting. During the year ended December 31, 2020, the Authority did not sell any land, but did approve extended renegotiated PILOTs along with sales and use tax exemptions and mortgage recording tax exemptions for two projects, and approved a sales and use tax exemption and mortgage recording tax exemption for one project.

Capital Asset and Debt Administration

Capital Assets: As of December 31, 2020, the Authority's investment in capital assets was \$326,212 (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. In 2020, the Authority also paid for the construction of a new website which was capitalized.

Long Term Debt: The Authority has two long-term debt obligations consisting of one bond and one note that total \$1,474,949. The Authority did not incur any new long-term debt obligations in the year ended December 31, 2020. The obligations include:

Bond Payable:

- **Bluefield Manor Housing, Inc.**
The bond's balance at December 31, 2020 is \$1,451,849 payable in monthly installments of \$13,210 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.

Note 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 the City of Auburn, New York. The business and economic climate in the City was impacted in 2020 by the COVID-19 global pandemic, but despite that there were still numerous business startup and growth opportunities that took shape. Looking ahead, the City of Auburn has been presented with unique opportunities that could improve economic conditions. In addition to existing opportunities, such as the Opportunity Zone and Downtown Revitalization Initiative funding, the Authority recognized a trend for businesses and talent seeking more open space during the pandemic and how the City's assets align with these and other emerging trends. As a result, the Authority contracted with a marketing firm to build a place-based brand for the City with the purpose of targeting business and talent attraction. In 2020, the Authority approved three projects for incentives. At the present time, the Authority has two active applications for PILOT agreements, and has multiple potential projects in the pipeline.

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,



Tracy Verrier
Executive Director

Auburn Industrial Development Authority

Statements of Net Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 759,612	\$ 99,479
PILOT payment receivable	13,144	725,168
Prepaid expenses	-	850
Total Current Assets	<u>772,756</u>	<u>825,497</u>
Capital Assets		
Land	309,712	309,712
Equipment	36,532	20,032
	<u>346,244</u>	<u>329,744</u>
Less: Accumulated depreciation	(20,032)	(20,032)
Total Capital Assets, Net	<u>326,212</u>	<u>309,712</u>
Total Assets	<u>\$ 1,098,968</u>	<u>\$ 1,135,209</u>
Liabilities and Net Position		
Current Liabilities		
PILOT payments payable	\$ 584,946	\$ 725,168
Accounts payable	23,525	10,583
Interest payable	9,150	8,460
Total Current Liabilities	<u>617,621</u>	<u>744,211</u>
Note Payable	<u>23,100</u>	<u>23,100</u>
Total Liabilities	<u>640,721</u>	<u>767,311</u>
Net Position		
Invested in capital assets, net of related debt	303,112	286,612
Unrestricted	155,135	81,286
Total Net Position	<u>458,247</u>	<u>367,898</u>
Total Liabilities and Net Position	<u>\$ 1,098,968</u>	<u>\$ 1,135,209</u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Revenue and Expenses

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenue		
Administrative fee income	<u>\$ 179,592</u>	<u>\$ 53,180</u>
Operating Expenses		
Dues and subscriptions	1,125	1,025
Professional fees	6,871	6,237
Contract services	38,386	24,456
Marketing	39,750	-
Conferences, seminars, and trade shows	830	2,717
Miscellaneous	<u>1,895</u>	<u>231</u>
Total Operating Expenses	<u>88,857</u>	<u>34,666</u>
Operating Income	<u>90,735</u>	<u>18,514</u>
Non-Operating Income (Expenses)		
Interest income	304	821
Interest expense	<u>(690)</u>	<u>(690)</u>
Total Non-Operating Income (Expenses)	<u>(386)</u>	<u>131</u>
Change in Net Position	<u><u>\$ 90,349</u></u>	<u><u>\$ 18,645</u></u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Changes in Net Position

Years Ended December 31, 2020 and 2019

	Invested in Capital Assets, Net of Related Debt	Unrestricted	Total Net Position
Net Position - Ending December 31, 2018	\$ 286,612	\$ 62,641	\$ 349,253
Change in net position	-	18,645	18,645
Net Position - Ending December 31, 2019	\$ 286,612	\$ 81,286	\$ 367,898
Change in net position	16,500	73,849	90,349
Net Position - Ending December 31, 2020	<u>\$ 303,112</u>	<u>\$ 155,135</u>	<u>\$ 458,247</u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash received for PILOT program	\$ 1,977,665	\$ 493,787
Cash payments for PILOT program	(1,405,863)	(1,132,852)
Cash paid for professional fees	(6,871)	(6,237)
Cash received for administrative fees	179,592	53,180
Cash received from interest income	304	821
Cash paid for other operating expenses	<u>(68,194)</u>	<u>(23,984)</u>
Net Cash Provided by (Used in) Operating Activities	676,633	(615,285)
Cash Flows from Investing Activities		
Capitalized equipment	<u>(16,500)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	660,133	(615,285)
Cash and Cash Equivalents - Beginning	<u>99,479</u>	<u>714,764</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 759,612</u></u>	<u><u>\$ 99,479</u></u>
Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities		
Change in net position	\$ 90,349	\$ 18,645
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:		
(Increase) decrease in assets:		
PILOT payments receivable	712,024	(696,205)
Prepaid expenses	850	(851)
Increase (decrease) in liabilities:		
PILOT payments payable	(140,222)	57,141
Accounts payable	12,942	5,295
Interest payable	<u>690</u>	<u>690</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 676,633</u></u>	<u><u>\$ (615,285)</u></u>

See notes to financial statements.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2020 and 2019

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 advance the job opportunities, general prosperity, sustainability and economic welfare of the people of the City of Auburn, New York, through the use of economic development incentives for qualified projects within the City. 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 Significant Accounting Policies

Basis of Accounting

The Authority's financial statements are prepared under the accrual basis of accounting in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds. Under this method, revenue is recognized when performance obligations have been met and expenses are recognized when incurred regardless of when the related cash transaction takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of Presentation

GASB requires the classification of Net Position into three classifications as defined below.

Net Invested in Capital Assets

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 December 31, 2020 and 2019 constraints imposed by law through constitutional provisions or enabling legislation. At December 31, 2020 and 2019, the Authority has no restricted net positions.

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".

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Authority charges an administrative service fee for each project based upon the type of tax incentive. The revenue is recognized when the Authority meets the performance obligation of the contract. Application fees to submit an application are non-refundable and recognized upon submission of the application. Grant income is recorded as revenue when the conditions of the grant have been met. Administrative services fees are intended to be used for operating expenses and to fund continuing operations. Incidental items that are immaterial in the context of a contract are expensed.

Operating and Non-Operating Revenue

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

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 periods. Actual results could differ from those estimates.

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 credit loss 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

No amounts were recorded for depreciation expense for the years ended December 31, 2020 and 2019, respectively.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Conduit Debt Obligations, Industrial Revenue Bond Transactions

The Authority issues Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial, recreational and commercial facilities deemed to be in the public's interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Authority, the City of Auburn nor any political subdivision thereof, are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2020 and 2019, outstanding debt induced by the Authority and issued by other entities amounted to \$1,451,849 and \$1,573,049, respectively. Debt service is paid directly to the lender by the entity that incurred the supplemental debt. The Authority has no liability or contingent liability for the payment.

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, 2020 and 2019, 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 Taxes (PILOT)

A significant inducement in the Authority projects is exemption from real property, sales and mortgage taxes. By law, all property titled to the Authority is exempt from these taxes. In practice, however, Payments In Lieu Of Taxes (PILOT) is often negotiated with the applicant. PILOT may represent full or partial remuneration to one or more of the real property tax jurisdictions involved.

The Authority is responsible for tracking all PILOT payments whether made by the Authority in connection with property it owns or made directly to the taxing authorities by the Organizations participating in the program. A total of 16 Organizations participated in the PILOT program and \$1,189,992 and \$1,265,641 in payments were administered by the Authority for the years ended December 31, 2020 and 2019, respectively.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2020 and 2019

Note 3 - Capital Assets

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

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020
Land	\$ 309,712	\$ -	\$ -	\$ 309,712
Equipment	20,032	16,500	-	36,532
Totals at Cost	329,744	16,500	-	346,244
Accumulated depreciation for:				
Equipment	(20,032)	-	-	(20,032)
Capital Assets, Net	<u>\$ 309,712</u>	<u>\$ 16,500</u>	<u>\$ -</u>	<u>\$ 326,212</u>

Note 4 – Note Payable

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

	2020	2019
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>

Accrued interest totals \$9,150 and \$8,460 for the years ending December 31, 2020 and 2019, respectively

Note 5 - Commitments and Contingencies

The Authority is exposed to various risks of loss such as torts, theft, damage, injuries, errors, omissions and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Any settled claims from these risks have not exceeded commercial insurance coverage for the past four years. In management's opinion, there are no material contingencies required to be accrued or disclosed.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2020 and 2019

Note 6 - New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 91, Conduit Debt Obligations. The statement and all subsequently issued clarifying statements improved the existing conduit debt guidance in GASB. The Statement required expanded disclosures relating to the nature and outstanding principal amount of conduit debt obligations. The Organization adopted the new standard effective January 1, 2020, the first day of the Organization's fiscal year, using the full retrospective method. Therefore, we restated 2019 by eliminating the bond receivable and payable.

Note 7 - Subsequent Events

Management has evaluated subsequent events through March 17, 2021, 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 Development Authority, a component unit of the City of Auburn, State of New York, as of and for the year ended December 31, 2020, 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 17, 2021.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a material weaknesses.

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*.

Auburn Industrial Development Authority's 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 questioned costs. 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 17, 2021

Auburn Industrial Development Authority

Schedule of Findings and Responses

December 31, 2020

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of ***Auburn Industrial Development Authority***.
2. One material weakness relating to the audit of the financial statements are reported in the 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*".
3. There were no instances of noncompliance material to the financial statements of ***Auburn Industrial Development Authority*** reported in the 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 "*Government Auditing Standards*".

II. FINANCIAL STATEMENTS AUDIT – FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended December 31, 2020

2020-001 Financial Reporting

Condition and criteria: During our subsequent receipt testing for accounts receivable, an amount recorded in PILOT Receivables was recorded as being received in January 2021, however, the check was actual received prior to year-end and incorrectly booked as of the deposit date in January 2021 instead of the date of receipt in December 2020.

Effect: The effect is that the Authority overstated PILOT Receivables in 2020 and the error was not detected by management.

Auditor's Recommendations: We believe it is important that proper internal control procedures be established and followed for the recording and processing of all receivables and collections.

Authority's Response: The PILOT payment in question was received the last week of December and deposited the first week of January. When entered into QuickBooks, the payment receipt date was inadvertently entered as the deposit date. Since the deposit and disbursement of these funds did not occur until the following month, the December reconciliation did not uncover this error in the receipt date. While we believe this to be an isolated incident, additional training is being pursued to ensure consistent and accurate QuickBooks entry.



Buffington & Hoatland CPAs

A Professional Limited Liability Company

Report on Compliance with Section 2925(3)(f) of the New York State Public Authorities Law

Independent Auditors' Report

To the Board of Directors
Auburn Industrial Development Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Auburn Industrial Development Authority (Authority), a component unit of the City of Auburn, State of New York, which comprise the statements of net position as of December 31, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated March 17, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2020. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

Buffington & Hoatland CPAs, PLLC
Auburn, New York
March 17, 2021