

Auburn Industrial Development Authority

Financial Report

December 31, 2016 and 2015

Auburn Industrial Development Authority

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December 31, 2016 and 2015

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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, 2016 and 2015, 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 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, 2016 and 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 22, 2017, on our consideration of the Auburn Industrial 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 22, 2017

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, 2016 and 2015. 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.

<u>Category</u>	<u>2016</u>	<u>2015</u>
Cash and Investments	\$ 92,412	\$ 435,564
Capital Assets	290,171	255,410
Other Assets	2,663,137	2,072,942
Total Assets	\$ 3,045,720	\$ 2,763,916
Current Liabilities	\$ 710,718	\$ 306,856
Long-Term Debt	1,973,082	2,087,269
Total Liabilities	\$ 2,683,800	\$ 2,394,125

Condensed Comparative Financial Information (Continued)

Category	2016	2015
Total Revenues	\$ 33,866	\$ 20,574
Total Expenses	(41,737)	(43,147)
Decrease in Net Position	\$ (7,871)	\$ (22,573)
Net Position - Invested in Capital, Net of Related Debt	\$ 267,071	\$ 232,310
Net Position - Unrestricted	94,849	137,481
Total Net Position	\$ 361,920	\$ 369,791

Change in financial categories between 2016 and 2015 include the following:

- The Authority's total net position decreased \$7,871 or 0.2 %
- Cash and Investments decreased \$343,152 or -78.7%, however 82.5% of that decrease is due to having fewer PILOT payments waiting to be disbursed (\$-0- in 2016 versus \$283,051 in 2015)
- Current Liabilities, other than PILOT and bond payments, increased \$1,088 or .5%
- Operating Revenues increased \$12,830 or 62.5 %
- Operating Expenses decreased \$1,410 or 0.3%

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, 2016, the Authority received in administrative fees and interest income from these sources \$33,330 an increase of \$12,830 from the prior year. In the year ended December 31, 2015, the Authority received in administrative fees and investment income from these sources \$20,500. The increase is due to fees related to other 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. The PILOT payment, equaled \$1,451,736 and \$1,435,162 in the year ended December 31, 2016 and 2015, respectively. During the year ended December 31, 2016, the Authority did not negotiate any PILOTs or sell any land, but did provide a sales and use tax exemption for one project and mortgage recording tax exemptions for two projects.

Capital Asset and Debt Administration

Capital Assets: As of December 31, 2016, the Authority's investment in capital assets was \$290,171 (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.

The Authority engaged a consulting firm for a Generic Environmental Impact Statement for land owned by the Authority. Costs for the study have been capitalized into the cost of the land.

Long Term Debt: The Authority has two long-term debt obligations consisting of one bond and one note that total \$1,973,082. The Authority did not incur any new long-term debt obligations in the year ended December 31, 2016. The obligations include:

Bond Payable:

- **Bluefield Manor Housing, Inc.**
The bond's balance at December 31, 2016 is \$1,949,982 payable in monthly installments of \$14,167 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.

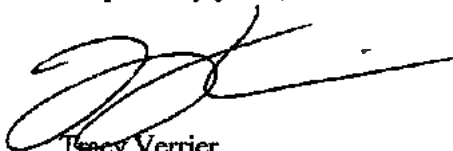
Economic Factors

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 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.

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 92,412	\$ 435,564
PILOT payment receivable	685,825	8,773
Other receivables	27,330	-
Property lease - current	118,319	114,963
Total Current Assets	<u>923,886</u>	<u>559,300</u>
Capital Assets		
Land	290,171	255,410
Equipment	20,032	35,458
	<u>310,203</u>	<u>290,868</u>
Less: Accumulated depreciation	(20,032)	(35,458)
Total Capital Assets, Net	<u>290,171</u>	<u>255,410</u>
Property Lease - Net of Current	<u>1,831,663</u>	<u>1,949,206</u>
Total Assets	<u>\$ 3,045,720</u>	<u>\$ 2,763,916</u>

See notes to financial statements.

	<u>2016</u>	<u>2015</u>
Liabilities and Net Assets		
Current Liabilities		
Bonds payable - current	\$ 118,319	\$ 114,963
PILOT payments payable	685,825	283,051
Accounts payable	18,503	18,105
Interest payable	<u>6,390</u>	<u>5,700</u>
Total Current Liabilities	<u>829,037</u>	<u>421,819</u>
Long-Term Debt		
Bond payable, net of current	1,831,663	1,949,206
Note payable	<u>23,100</u>	<u>23,100</u>
Total Long-Term Debt	<u>1,854,763</u>	<u>1,972,306</u>
Total Liabilities	<u>2,683,800</u>	<u>2,394,125</u>
Net Position		
Invested in capital assets, net of related debt	267,071	232,310
Unrestricted	<u>94,849</u>	<u>137,481</u>
Total Net Position	<u>361,920</u>	<u>369,791</u>
Total Liabilities and Net Position	<u>\$ 3,045,720</u>	<u>\$ 2,763,916</u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Revenue and Expenses

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenue		
Administrative fee income	\$ 33,330	\$ 20,500
Operating Expenses		
Dues and subscriptions	1,850	1,350
Office supplies	86	194
Professional fees	18,370	6,520
Contract services	20,000	20,000
Grant expense	55	13,142
Conferences, seminars, and trade shows	640	968
Marketing	-	17
Miscellaneous	46	266
Total Operating Expenses	<u>41,047</u>	<u>42,457</u>
Operating Loss	<u>(7,717)</u>	<u>(21,957)</u>
Non-Operating Income (Expenses)		
Interest income	536	74
Interest expense	(690)	(690)
Total Non-Operating Income (Expenses)	<u>(154)</u>	<u>(616)</u>
Changes in Net Position	<u>\$ (7,871)</u>	<u>\$ (22,573)</u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Changes in Net Position

Years Ended December 31, 2016 and 2015

	Invested in Capital Assets, Net of Related Debt	Unrestricted	Total Net Position
Net Position - Beginning January 1, 2015	\$ 232,310	\$ 160,054	\$ 392,364
Changes in net position	-	(22,573)	(22,573)
Net Position - Ending December 31, 2015	232,310	137,481	369,791
Changes in net position	34,761	(42,632)	(7,871)
Net Position - Ending December 31, 2016	<u>\$ 267,071</u>	<u>\$ 94,849</u>	<u>\$ 361,920</u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash received for PILOT program	\$ 774,686	\$ 1,426,389
Cash payments for PILOT program	(1,048,966)	(1,831,443)
Cash paid for professional fees	(18,370)	(6,520)
Cash paid for interest expense	-	-
Cash received for administrative fees	6,000	20,500
Cash received from interest income	536	74
Cash paid for other operating expenses	(22,677)	(35,937)
	<u>(308,791)</u>	<u>(426,937)</u>
Net Cash Used by Operating Activities		
Cash Flows from Investing Activities		
Capitalized land costs	(34,361)	-
	<u>(343,152)</u>	<u>(426,937)</u>
Net Decrease in Cash and Cash Equivalents		
	<u>(343,152)</u>	<u>(426,937)</u>
Cash and Cash Equivalents - Beginning		
	<u>435,564</u>	<u>862,501</u>
Cash and Cash Equivalents - Ending		
	<u>\$ 92,412</u>	<u>\$ 435,564</u>
Reconciliation of Changes in Net Position to Net Cash Provided (Used) by Operating Activities		
Changes in net position	\$ (7,871)	\$ (22,573)
Adjustments to reconcile change in net position to net cash provided (used) by operating activities:		
(Increase) decrease in assets:		
PILOT payments receivable	(677,052)	(8,773)
Other receivables	(27,330)	-
Increase (decrease) in liabilities:		
PILOT payments payable	402,774	(336,065)
Accounts payable	398	(60,216)
Interest payable	690	690
	<u>(308,391)</u>	<u>(426,937)</u>
Net Cash Used by Operating Activities	<u>\$ (308,391)</u>	<u>\$ (426,937)</u>

See notes to financial statements.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2016 and 2015

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 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.

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.

Revenue Recognition

Revenues from administrative functions are recognized at the time of delivery based on actual or estimated rates. Revenues from grant agreements are recognized when earned.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2016 and 2015

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:

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

Depreciation expense was \$-0- for the years ended December 31, 2016 and 2015.

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, 2016 and 2015, the Authority has no restricted net positions.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2016 and 2015

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, 2016 and 2015, 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's)

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's) are often negotiated with the applicant. PILOT's may represent full or partial remuneration to one or more of the real property tax jurisdictions involved.

Auburn Industrial Development Authority

Notes to Financial Statements December 31, 2016 and 2015

Note 2 - Summary of Accounting Policies (Continued)

Payments In Lieu Of Taxes (PILOT's) (Continued)

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 15 and 14 Organizations participated in the PILOT's program and \$1,451,736 and \$1,435,162 in payments were administrated by the Authority for the years ended December 31, 2016 and 2015, respectively. The PILOT payments are not recorded on the financial statements.

Note 3 - Capital Assets

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

	Balance December 31, 2015	Additions	Retirements	Balance December 31, 2016
Land	\$ 255,410	\$ 34,761	\$ -	\$ 290,171
Equipment	35,458	-	(15,426)	20,032
Totals at Cost	290,868	-	-	310,203
Accumulated depreciation for: Equipment	(35,458)	-	15,426	(20,032)
Capital Assets, Net	\$ 255,410	\$ 34,761	\$ -	\$ 290,171
	Balance December 31, 2014	Additions	Retirements	Balance December 31, 2015
Land	\$ 255,410	\$ -	\$ -	\$ 255,410
Equipment	35,458	-	-	35,458
Totals at Cost	290,868	-	-	290,868
Accumulated depreciation for: Equipment	(35,458)	-	-	(35,458)
Capital Assets, Net	\$ 255,410	\$ -	\$ -	\$ 255,410

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2016 and 2015

Note 4 - Property Lease and Bond 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.

Each asset, "Property Lease" is offset by an equal liability "Bond 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 bond is excluded from the accompanying statements.

As of December 31, 2016, the Authority has outstanding the following lease and bond:

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

Note 5 - Bond Payable

The Authority has the following bond as of December 31:

	<u>2016</u>	<u>2015</u>
Bluefield Manor Housing, Inc.:		
Balance payable in monthly installments of \$14,199 of principal and interest at a rate of 2.71% through August, 2015; from September 2015 payable in monthly installments of \$14,167 of principal and interest at a rate of 2.68%; 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.	\$1,949,982	\$2,064,169
Current portion	<u>(118,319)</u>	<u>(114,963)</u>
	<u>\$1,831,663</u>	<u>\$1,949,206</u>

The bond account is held by a bank as trustee. The lessee pays the trustee directly the required principal and interest payments.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2016 and 2015

Note 5 - Bond Payable (Continued)

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

2017	\$ 118,319
2018	120,460
2019	122,601
2020	126,355
2021	128,680
Thereafter	<u>1,313,206</u>
	<u>\$1,929,621</u>

Note 6 – 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:

	<u>2016</u>	<u>2015</u>
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 \$6,390 and \$5,700 for the years ending December 31, 2016 and 2015, respectively.

Note 7 – Lease Agreement

The Authority entered into a lease agreement with Crown Castle Towers 06-02 LLC dated November 3, 2015 for a period of twenty-five years. The initial lease agreement calls for rental payments of \$10,800 per year to be paid in equal monthly installments of \$900 plus a revenue share payment equal to 10% of any sublease fee, excluding any sublease fee received by lessee from the Anchor Subtenant. After the first five years and every five years thereafter including any renewal term, the base rent shall increase based on the Consumer Price Index published by the Bureau of Labor and statistics of the United States Department of Labor for all Urban Consumers, US City Average ("CIP-U") indicator and shall be determined by dividing the CPI-U indicator published 3 months prior to the adjustment date, by the CPI-U indicator published 5 years and 3 months prior to the adjustment date, and multiply the resulted number by the monthly lease rental amount of the most recent past rent.

The lease calls for three option periods. The option period is the twelve month period from the date of the agreement. The option period allows Crown Castle Towers 06-02 LLC to pay a \$1,000 fee to extend the period the lessee has to lease the leased premises. During the option period no rent is due.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2016 and 2015

Note 8 – Subsequent Events

Management has evaluated subsequent events through March 22, 2017 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, 2016, 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 22, 2017.

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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. [2016-001 and 2016-002].

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 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 22, 2017

Auburn Industrial Development Authority

Schedule of Findings and Responses

December 31, 2016

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. Two material weaknesses 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, 2016

2016-001 Financial Reporting

Condition and criteria: During our subsequent disbursement testing for accounts payable, the amount recorded in Due to Government for the county for taxes at December 31, 2016 was correct, however the amount paid in 2017 was incorrect.

Effect: The effect is that the Authority overpaid the 2016 PILOT taxes due to the county and the error was not detected by management.

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

Authority's Response:

The county was contacted immediately upon discovery of the overpayment and the county has issued a refund to the Authority. The error was the result of an adjustment to a PILOT bill, and as such new internal control procedures related to such adjustments will be created.

Auburn Industrial Development Authority

Schedule of Findings and Responses

December 31, 2016

II. FINANCIAL STATEMENTS AUDIT – FINDINGS

B. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended December 31, 2016 (Continued)

2016-002

Condition and criteria: Management of the Authority had verbally confirmed the balance of the Bluefield Manor Housing, Inc. bond payable balance at December 31, 2016. We assisted in the recording of the activity as a convenience with an annual journal entry as it had not been recorded prior to fieldwork. During our testing of bond balance, we noted that the amount scheduled to be paid during the year did not match the decrease in the principal balance. Upon further testing, it was discovered that an incorrect balance was given to the Authority by Bluefield Manor Housing.

Effect: The effect of not receiving proper information and reconciling the activity could result in material misstatement that may not be prevented, detected and or corrected by the Authority without audit work being performed.

Auditor's Recommendations: We recommend that the Authority request the year end bank statement for the bond from Bluefield Manor Housing, Inc., record the appropriate activity and balance payments prior to the audit.

Authority's Response:

In the future, Authority staff will request a year end bank statement for the bond from Bluefield Manor Housing, Inc. and record the appropriate activity and balances prior to the audit.