

Auburn Industrial Development Authority

Financial Report

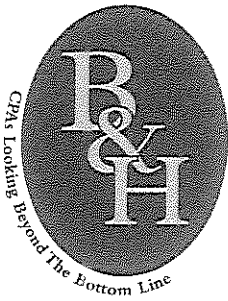
December 31, 2011 and 2010

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 statements of net assets 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, 2011 and 2010, and the related statements of revenue and expenses, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Auburn Industrial Development Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Governmental 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Auburn Industrial Development Authority as of December 31, 2011 and 2010 and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated March 22, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 inquired of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Buffington & Hoatland CPAs, PLLC

Buffington & Hoatland CPAs, PLLC
Auburn, New York
March 22, 2012

Management's Discussion and Analysis

This section of the Auburn Industrial Development Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended December 31, 2011 and 2010. 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.

Condensed Comparative Financial Information

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

<u>Category</u>	<u>2011</u>	<u>2010</u>
Cash and Investments	\$ 126,964	\$ 52,043
Capital Assets	273,694	273,694
Other Assets	3,823,433	4,154,380
Total Assets	<u>\$ 4,224,091</u>	<u>\$ 4,480,117</u>
Current Liabilities	\$495,325	\$ 595,771
Long-Term Debt	3,460,618	3,685,282
Total Liabilities	<u>\$ 3,955,943</u>	<u>\$ 4,281,053</u>
Revenues (other than PILOT and pass through)	\$ 86,305	\$ 15,627
Expenses (other than PILOT and pass through)	(17,221)	(9,553)
Realized/unrealized gain (loss) on investments	-	1,824
Increase in Net Assets	<u>\$ 69,084</u>	<u>\$ 7,898</u>
Net Assets - Invested in capital, net of related debt	\$ 148,374	\$ 148,374
Net Assets - Unrestricted	119,774	50,690
Total Net Assets	<u>\$ 268,148</u>	<u>\$ 199,064</u>

Change in financial categories between 2011 and 2010 include the following:

- The Authority's total net assets increased \$69,084 or (34.7%)
- Cash and Investments increased \$74,921 or (143.9%)
- Current liabilities, other than PILOT payments, decreased \$100,446 or (16.9%)
- Operating Revenues, other than PILOT payments increased \$70,678 or (452.3%)
- Operating Expenses, other than PILOT payments increased \$7,668 or (80.3%)

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, straight lease transactions, and from interest on investments. In the year ended December 31, 2011, the Authority received in administrative fees and investment income from these sources \$86,305, an increase of \$70,678 from the prior year. In the year ended December 31, 2010, the Authority received in administrative fees and investment income from these sources \$15,627, an increase of \$7,158 from the prior year. The increase is due to the PILOT renegotiation 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 \$966,122 and \$943,230 in the year ended December 31, 2011 and 2010, respectively. During the year ended December 31, 2011, the Authority negotiated three new PILOT agreements.

Capital Asset and Debt Administration

Capital Assets: As of December 31, 2011, the Authority's investment in capital assets was \$273,694 (net of depreciation). The principal capital assets of the Authority are 39.75 acres of land, acquired as part of the strategic acquisition of land and buildings for future development. This is exclusive of property leases.

Long Term Debt: The Authority has five long term debt obligations consisting of 2 bonds and 3 notes that total \$3,664,499. The Authority did not incur any new long term debt obligations in the year ended December 31, 2011. The obligations include:

Bonds Payable:

- Fat Tire, LLC (Auburn Armature) - \$1,045,000
Variable interest paid quarterly, matures July 1, 2018, quarterly principal payments per a variable payment schedule beginning July 2001.
- Bluefield Manor Housing, Inc. - \$2,494,179
Balance is payable monthly including interest at 5-year treasury rates plus ½ percent adjustable on 5-year anniversaries until August 1, 2030. Monthly installments of \$17,948 are payable until August 1, 2030.

Capital Asset and Debt Administration (Continued)

Notes Payable:

- A note payable to City of Auburn of \$45,000 with annual interest payments of \$1,350 representing interest only at 3% commencing February 2001. Principal is due upon the sale of 59 Case Avenue, Auburn. Collateralized by a first mortgage on the property.
- A note payable to City of Auburn of \$57,220, with no interest. Principal is due upon the sale of 5000 Technology Park Boulevard. Collateralized by a first mortgage on the property.
- A note payable to the City of Auburn of \$23,100 with annual interest payments of \$690, representing interest at 3%, commencing April 2002. Principal due upon sale of property at 5000 Technology Park Boulevard, Auburn. Collateralized by a mortgage on the property.

Contacting the Authority's Financial Management

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

Respectfully yours,



Jennifer Haines
Executive Director

Auburn Industrial Development Authority

Statements of Net Assets

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 126,964	\$ 12,286
Investments	-	39,757
PILOT payment receivable	284,254	394,858
Property leases - current	203,881	199,560
Total Current Assets	<u>615,099</u>	<u>646,461</u>
Capital Assets		
Land	273,694	273,694
Equipment	35,458	35,458
	<u>309,152</u>	<u>309,152</u>
Less: Accumulated depreciation	(35,458)	(35,458)
Total Capital Assets, Net	<u>273,694</u>	<u>273,694</u>
Property Leases - Net of Current	<u>3,335,298</u>	<u>3,559,962</u>
Total Assets	<u>\$ 4,224,091</u>	<u>\$ 4,480,117</u>

See notes to financial statements.

	<u>2011</u>	<u>2010</u>
Liabilities and Net Assets		
Current Liabilities		
Bonds payable - current	\$ 203,881	\$ 199,560
Interest payable	9,690	7,650
PILOT payments payable	281,754	388,561
	<u>495,325</u>	<u>595,771</u>
Long-Term Debt		
Bonds payable, net of current	3,335,298	3,559,962
Notes payable	125,320	125,320
	<u>3,460,618</u>	<u>3,685,282</u>
Total Long-Term Debt	<u>3,460,618</u>	<u>3,685,282</u>
Total Liabilities	<u>3,955,943</u>	<u>4,281,053</u>
Net Assets		
Invested in capital assets, net of related debt	148,374	148,374
Unrestricted	119,774	50,690
	<u>268,148</u>	<u>199,064</u>
Total Net Assets	<u>268,148</u>	<u>199,064</u>
Total Liabilities and Net Assets	<u>\$ 4,224,091</u>	<u>\$ 4,480,117</u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Revenue and Expenses

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenue		
PILOT revenue	\$ 966,122	\$ 943,230
Administrative fee income	86,129	14,728
Total Operating Revenue	<u>1,052,251</u>	<u>957,958</u>
Operating Expenses		
PILOT expenses	966,122	943,230
Dues and subscriptions	1,250	790
Office supplies	975	552
Professional fees	7,815	5,966
License fee	1,866	-
Conferences, seminars, and trade shows	3,275	110
Total Operating Expenses	<u>981,303</u>	<u>950,648</u>
Operating Income	<u>70,948</u>	<u>7,310</u>
Non-Operating Income (Expenses)		
Net investment income	176	2,628
Interest	(2,040)	(2,040)
Total Non-Operating Income (Expenses)	<u>(1,864)</u>	<u>588</u>
Changes in Net Assets	<u>\$ 69,084</u>	<u>\$ 7,898</u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Changes in Net Assets

Years Ended December 31, 2011 and 2010

	Invested in Capital Assets, Net of Related Debt	Unrestricted	Total Net Assets
Net Assets - Beginning January 1, 2010	\$ 148,374	\$ 42,792	\$ 191,166
Changes in net assets	-	7,898	7,898
Net Assets - Ending December 31, 2010	148,374	50,690	199,064
Changes in net assets	-	69,084	69,084
Net Assets - Ending December 31, 2011	<u>\$ 148,374</u>	<u>\$ 119,774</u>	<u>\$ 268,148</u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Cash Flows

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Cash received for PILOT program	\$ 1,078,962	\$ 920,855
Cash payments for PILOT program	(1,072,930)	(920,636)
Cash paid for professional fees	(7,815)	(5,966)
Cash received for administrative fees	86,129	14,728
Cash received from interest income	176	899
Cash paid for other operating expenses	(9,601)	(1,547)
Net Cash Provided by Operating Activities	<u>74,921</u>	<u>8,333</u>
Cash Flows from Investing Activities		
Purchase of investments	-	(869)
Proceeds from investments	39,757	-
Net Cash Provided by (Used in) Investing Activities	<u>39,757</u>	<u>(869)</u>
Net Increase in Cash and Cash Equivalents	114,678	7,464
Cash and Cash Equivalents - Beginning	<u>12,286</u>	<u>4,822</u>
Cash and Cash Equivalents - Ending	<u>\$ 126,964</u>	<u>\$ 12,286</u>
Reconciliation of Changes in Net Assets to Net Cash Used in Operating Activities		
Changes in net assets	\$ 69,084	\$ 7,898
Adjustments to reconcile change in net asset to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	-	(1,824)
(Increase) decrease in assets:		
PILOT payments receivable	110,604	(22,638)
Increase (decrease) in liabilities:		
Interest payable	2,040	2,040
PILOT payments payable	(106,807)	22,857
Net Cash Provided by Operating Activities	<u>\$ 74,921</u>	<u>\$ 8,333</u>

See notes to financial statements.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2011 and 2010

Note 1 - Nature of Operations

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

Note 2 - Estimates and Summary of Accounting Policies

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

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

Basis of Accounting and Presentation

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

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

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

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2011 and 2010

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

Operating and Non-Operating Revenue

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

PILOT Payments Receivable

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

Capital Assets

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

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

Depreciation expense was \$-0- for the years ended December 31, 2011 and 2010.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2011 and 2010

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

Net Assets

Net assets are divided into two components:

Invested in Capital Assets, Net of Related Debt

This component of net assets 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 assets component as the unspent proceeds.

Restricted Net Assets

This component of net assets 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, 2011 and 2010, the Authority has no restricted net assets.

Unrestricted Net Assets

This component of net assets consists of net assets 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 are the non-cash items.

The Authority also had an unrealized gain on short-term investments of \$-0- and \$1,824 for the years ended December 31, 2011 and 2010, respectfully.

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.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2011 and 2010

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

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, 2011 and 2010, 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 - Investments

Investments include marketable securities that are stated at fair market value and consist of the following as of December 31:

	<u>2010</u>		
Money funds	\$ (119)	\$ (119)	\$ -
Short-term investment grade bond fund	<u>42,581</u>	<u>39,876</u>	<u>(2,705)</u>
	<u>\$ 42,462</u>	<u>\$ 39,757</u>	<u>\$ (2,705)</u>

Net investment income is summarized as follows as of December 31:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 176	\$ 899
Unrealized gains (losses)	-	1,824
Investment fees	-	<u>(95)</u>
	<u>\$ 176</u>	<u>\$ 2,628</u>

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2011 and 2010

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.

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, 2011, the Authority has outstanding the following leases and bonds:

1. Fat Tire, LLC (Auburn Armature) dated October 1, 2001.
2. 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 nine 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.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2011 and 2010

Note 5 - Bonds Payable

The Authority has the following bonds as of December 31:

	<u>2011</u>	<u>2010</u>
Fat Tire, LLC (Auburn Armature):		
Variable interest paid quarterly; matures July 1, 2018; quarterly principal payments per a variable payment schedule beginning July, 1998; secured by property lease	\$1,045,000	\$1,165,000
Bluefield Manor Housing, Inc.:		
Balance payable in monthly installments of \$17,948 of principal and interest at a rate of 5.30% through August, 2010 the interest rate is 5.07%; payable in monthly installments of \$14,199 of principal and interest at a rate of 2.71% from September, 2010 to August, 2015; interest will be adjusted every five years and fixed at the prevailing five year Treasury bill rate plus ½%; note is collateralized by security interest in the property and equipment, accounts receivable, and general intangibles	<u>2,494,179</u>	<u>2,594,522</u>
	3,539,179	3,759,522
Current portion	<u>203,881</u>	<u>199,560</u>
	<u>\$3,335,298</u>	<u>\$3,559,962</u>

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:

2012	\$ 203,881
2013	228,436
2014	238,239
2015	257,302
2016	272,302
Thereafter	<u>2,339,019</u>
	<u>\$3,539,179</u>

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2011 and 2010

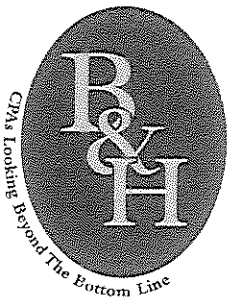
Note 6 - Notes Payable

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

	<u>2011</u>	<u>2010</u>
Note payable to the City of Auburn, with annual interest payments of \$1,350, representing interest only at 3% commencing February, 2001; principal due upon the sale of 59 Case Avenue, Auburn; collateralized by a first mortgage on the property	\$ 45,000	\$ 45,000
Note payable to the City of Auburn with 0% interest; principal due upon the sale of 5000 Technology Park Boulevard; collateralized by a first mortgage on the property	57,220	57,220
Note payable to the City of Auburn with annual interest payments of \$690, representing interest only at 3%, commencing April, 2002; principal due upon sale of property at 5000 Technology Park Boulevard, Auburn; collateralized by a mortgage on the property.	<u>23,100</u>	<u>23,100</u>
	<u>\$125,320</u>	<u>\$125,320</u>

Note 7 – Subsequent Events

Management has evaluated subsequent events through March 22, 2012, the date on which the financial statements were available to be issued.



Buffington & Hoatland CPAs

A Professional Limited Liability Company

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 the financial statements of Auburn Industrial Development Authority as of and for the year ended December 31, 2011, and have issued our report thereon dated March 22, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Auburn Industrial Development Authority internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the finance committee, the Board of Directors, management, others within the Organization, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Buffington & Hoatland CPAs, PLLC

Buffington & Hoatland CPAs, PLLC

Auburn, New York

March 22, 2012