

Auburn Industrial Development Authority

Financial Report

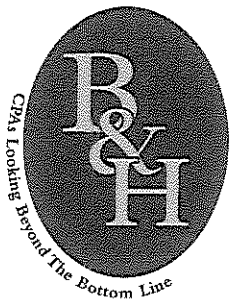
December 31, 2010 and 2009

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, 2010 and 2009, 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, 2010 and 2009 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 30, 2011, 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 30, 2011

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, 2010 and 2009. 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.

In June 1999, the GASB adopted its Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." The Authority adopted this statement for the year ended December 31, 2005.

Condensed Comparative Financial Information

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

Category	2010	2009
Cash and Investments	\$ 52,043	\$ 41,886
Capital Assets	273,694	273,694
Other Assets	4,154,380	4,324,027
Total Assets	<u>\$ 4,480,117</u>	<u>\$ 4,639,607</u>
Current Liabilities	\$ 595,771	\$ 551,776
Long-Term Debt	3,685,282	3,896,665
Total Liabilities	<u>\$ 4,281,053</u>	<u>\$ 4,448,441</u>
Revenues (other than PILOT and pass through)	\$ 15,627	\$ 8,469
Expenses (other than PILOT and pass through)	(9,553)	(11,704)
Realized/unrealized gain (loss) on investments	1,824	3,482
Decrease in Net Assets	<u>\$ 7,898</u>	<u>\$ 247</u>
Net Assets - Invested in capital, net of related debt	\$ 148,374	\$ 148,374
Net Assets - Unrestricted	<u>50,690</u>	<u>42,792</u>
Total Net Assets	<u>\$ 199,064</u>	<u>\$ 191,166</u>

Change in financial categories between 2010 and 2009 include the following:

- The Authority's total net assets increased \$7,898 or (4.13%)
- Cash and Investments increased \$10,157 or (24.3%)
- Current liabilities, other than PILOT payments, increased \$43,995 or (7.97%)
- Operating Revenues, other than PILOT payments increased \$7,158 or (84.5%)
- Operating Expenses, other than PILOT payments decreased \$2,151 or (18.4%)

Financial Analysis of the Agency

The Authority is engaged in activities to support economic growth in the City of Auburn, including job creation and retention, and increasing the net wealth of the City. The Authority does not receive any general appropriations from local, county or state government to support its operations. The Authority collects revenue for its operating purposes from the issuance of bonds, straight lease transactions, and from interest on investments. 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. In the year ended December 31, 2009, the Authority received in administrative fees and investment income from these sources \$8,469, an increase of \$7,170 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 \$943,230 and \$971,441 in the year ended December 31, 2010 and 2009, respectively.

Capital Asset and Debt Administration

Capital Assets: As of December 31, 2010, 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 \$3,884,842. The Authority did not incur any new long term debt obligations in the year ended December 31, 2010. The obligations include:

Bonds Payable:

- Fat Tire, LLC (Auburn Armature) - \$1,165,000
Variable interest paid quarterly, matures July 1, 2018, quarterly principal payments per a variable payment schedule beginning July 2001.
- Bluefield Manor Housing, Inc. - \$2,594,522
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)

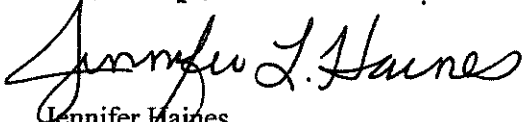
Notes Payable:

- 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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 12,286	\$ 4,822
Investments	39,757	37,064
PILOT payment receivable	394,858	372,220
Property leases - current	199,560	180,462
Total Current Assets	<u>646,461</u>	<u>594,568</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>3,559,962</u>	<u>3,771,345</u>
Total Assets	<u>\$ 4,480,117</u>	<u>\$ 4,639,607</u>

See notes to financial statements.

	<u>2010</u>	<u>2009</u>
Liabilities and Net Assets		
Current Liabilities		
Bonds payable - current	\$ 199,560	\$ 180,462
Interest payable	7,650	5,610
PILOT payments payable	<u>388,561</u>	<u>365,704</u>
Total Current Liabilities	<u>595,771</u>	<u>551,776</u>
Long-Term Debt		
Bonds payable, net of current	3,559,962	3,771,345
Notes payable	<u>125,320</u>	<u>125,320</u>
Total Long-Term Debt	<u>3,685,282</u>	<u>3,896,665</u>
Total Liabilities	<u>4,281,053</u>	<u>4,448,441</u>
Net Assets		
Invested in capital assets, net of related debt	148,374	148,374
Unrestricted	<u>50,690</u>	<u>42,792</u>
Total Net Assets	<u>199,064</u>	<u>191,166</u>
Total Liabilities and Net Assets	<u>\$ 4,480,117</u>	<u>\$ 4,639,607</u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Revenue and Expenses

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenue		
PILOT revenue	\$ 943,230	\$ 971,441
Administrative fee income	14,728	7,500
Total Operating Revenue	<u>957,958</u>	<u>978,941</u>
Operating Expenses		
PILOT expenses	943,230	971,441
Dues and subscriptions	790	1,190
Office supplies	552	609
Professional fees	5,966	7,790
Conferences, seminars, and trade shows	110	-
Total Operating Expenses	<u>950,648</u>	<u>981,030</u>
Operating Income (Loss)	<u>7,310</u>	<u>(2,089)</u>
Non-Operating Income (Expenses)		
Net investment income (loss)	2,628	4,376
Interest	(2,040)	(2,040)
Total Non-Operating Income (Expenses)	<u>588</u>	<u>2,336</u>
Changes in Net Assets	<u>\$ 7,898</u>	<u>\$ 247</u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Changes in Net Assets

Years Ended December 31, 2010 and 2009

	Invested in Capital Assets, Net of Related Debt	Unrestricted	Total Net Assets
Net Assets - Beginning January 1, 2009	\$ 148,374	\$ 42,545	\$ 190,919
Changes in net assets	-	247	247
Net Assets - Ending December 31, 2009	148,374	42,792	191,166
Changes in net assets	-	7,898	7,898
Net Assets - Ending December 31, 2010	<u>\$ 148,374</u>	<u>\$ 50,690</u>	<u>\$ 199,064</u>

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Cash received for PILOT program	\$ 920,855	\$ 1,581,426
Cash payments for PILOT program	(920,636)	(1,606,668)
Cash paid for professional fees	(5,966)	(11,140)
Cash received for administrative fees	14,728	7,500
Cash received from interest income	899	969
Cash paid for other operating expenses	(1,547)	(1,874)
Net Cash Provided by (Used in) Operating Activities	8,333	(29,787)
Cash Flows from Investing Activities		
Purchase of investments	(869)	(1,071)
Net Increase (Decrease) in Cash and Cash Equivalents	7,464	(30,858)
Cash and Cash Equivalents - Beginning	4,822	35,680
Cash and Cash Equivalents - Ending	\$ 12,286	\$ 4,822
Reconciliation of Changes in Net Assets to Net Cash Used in Operating Activities		
Changes in net assets	\$ 7,898	\$ 247
Adjustments to reconcile change in net asset to net cash provided by (used in) operating activities:		
Realized and unrealized (gain) loss on investments	(1,824)	(3,482)
(Increase) decrease in assets:		
PILOT payments receivable	(22,638)	624,599
Increase (decrease) in liabilities:		
Interest payable	2,040	2,040
PILOT payments payable	22,857	(649,840)
Accounts payable	-	(3,351)
Net Cash Provided by (Used in) Operating Activities	\$ 8,333	\$ (29,787)

See notes to financial statements.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2010 and 2009

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 has elected not to follow Financial Accounting Standards Board Codification issued after November 30, 1989. In June 1999, the GASB adopted its Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government*. The Authority elected to adopt this new statement for the year ended December 31, 2005. The adoption of Statement No. 34 required the Authority to make certain changes to the presentation of its basic financial statements in addition to requiring the presentation of the Authority's Management's Discussion and Analysis ("M D & A"). M D & A is considered to be required supplemental data and precedes the financial statements.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2010 and 2009

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

Basis of Accounting and Presentation (Continued)

To conform to the requirements of GASB 34, the following changes were made to the Authority's financial statements:

- The Statement of Cash Flows has been presented using the direct method.
- A Management Discussion and Analysis (M D & A) section providing an analysis of the Authority's overall financial position and results of operations.

The general provisions of GASB No. 34 had to be implemented by Auburn Industrial Development Authority no later than the fiscal year ending December 31, 2005. No retroactive adjustments were necessary as Auburn Industrial Development Authority has utilized full accrual accounting in the past.

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, 2010 and 2009.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2010 and 2009

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

Investments

The Authority carries investments in marketable securities with readily determinable fair values and all debt securities at their fair values in the balance sheets. Unrealized gains and losses are included in the change of net income in the accompanying statements of income. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis.

Net Assets

Net assets are divided into two components:

Invested in Capital Assets, Net of Related Debt

Consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Unrestricted

Unrestricted - all other net assets are reported in this category.

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 \$1,824 and \$3,482 for the years ended December 31, 2010 and 2009, respectively.

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, 2010 and 2009, respectively. The amounts over the FDIC limit are secured by United States Treasury Bills.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2010 and 2009

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

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:

	2010		
	Cost	Fair Value	Unrealized Gain (Loss)
Money funds	\$ (119)	\$ (119)	\$ -
Short-term investment grade bond fund	42,581	39,876	(2,705)
	<u>\$ 42,462</u>	<u>\$ 39,757</u>	<u>\$ (2,705)</u>
	2009		
Money funds	\$ (24)	\$ (24)	\$ -
Short-term investment grade bond fund	41,617	37,088	(4,529)
	<u>\$ 41,593</u>	<u>\$ 37,064</u>	<u>\$ (4,529)</u>

Net investment income (loss) is summarized as follows as of December 31:

	2010	2009
Interest and dividends	\$ 899	\$ 969
Unrealized gains (losses)	1,824	3,482
Investment fees	(95)	(75)
	<u>\$ 2,628</u>	<u>\$ 4,376</u>

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2010 and 2009

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, 2010, 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 six 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, 2010 and 2009

Note 5 - Bonds Payable

The Authority has the following bonds as of December 31:

	<u>2010</u>	<u>2009</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	\$1,165,000	\$1,275,000
Bluefield Manor Housing, Inc.:		
Balance payable in monthly installment principal payments including interest at five-year treasury rates, plus 1/2 percent adjustable on five year anniversaries until August 1, 2030; interest at 5.57% as of December 31, 2008; monthly installments of \$17,948 payable until August 1, 2030; secured by mortgage on premises as well as security interest in fixed assets, accounts receivable and general intangibles	<u>2,594,522</u>	<u>2,676,807</u>
	3,759,522	3,951,807
Current portion	<u>199,560</u>	<u>180,462</u>
	<u>\$3,559,962</u>	<u>\$3,771,345</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:

2011	\$ 199,560
2012	203,881
2013	208,436
2014	233,239
2015	242,302
Thereafter	<u>2,672,104</u>
	<u>\$3,759,522</u>

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2010 and 2009

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:

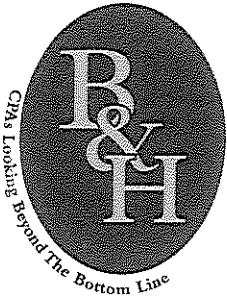
	<u>2010</u>	<u>2009</u>
Note payable to the City of Auburn, with annual interest payments of \$1,350, representing interest only at 3% commencing February, 2001; principal due upon the sale of 59 Case Avenue, Auburn; collateralized by a first mortgage on the property	\$ 45,000	\$ 45,000
Note payable 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 – Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. There was no change in net income

Note 8 – Subsequent Events

Management has evaluated subsequent events through March 30, 2011, 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, 2010, and have issued our report thereon dated March 30, 2011. 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 30, 2011