

MEETING MINUTES
AUBURN INDUSTRIAL DEVELOPMENT AUTHORITY
Wednesday, March 25, 2013 @ 4:00 PM
Third Floor Training Room
Memorial City Hall

Board Present: James Dacey (Chair & Member of Business); Michael Kane (Member of Industry); William Graney (Council Member); Sue Chandler, (Member of Labor); Amanda Sigona (School Board Member)

Excused: Matthew Smith (Council Member); Frank DeRosa (At-Large Member); Laurie Piccolo (At- Large Member)

Staff: Jennifer Haines, AIDA Executive Director; Rob Poyer, Hancock and Estabrook

Jim Dacey opened the meeting at 4:00 p.m.

Minutes will be held until a quorum of members present at the January 7, 2013, January 30, 2013 and March 6, 2013 meetings are present.

Mack Studios Inc.

Jenny Haines – some changes have been made and Peter Mack has asked for a delay in introducing the project to the Board. All information has been previously distributed and additional information submitted for today’s meeting. Jenny will check with Peter for his future presentation plans. For tonight there is a resolution for this Board to accept the Planning Board as Lead Agency in the SEQR review. *Reviews resolution (Attachment 1).*

Jim Dacey – Asks if Frank DeRosa’s comments were emailed and made available to everyone.

Jenny Haines – Email was sent to everyone and copy distributed in the meeting packets (Attachment 2).

Bill Graney – Budget issues are being thought out now. We need to see what the State budget is and what the current budget will be.

Jim Dacey – Suggested comments held until Peter Mack and Frank DeRosa are available to address them.

Chair asks for a motion accepting the resolution (Resolution attached to minutes). So moved by Sue Chandler, seconded by Amanda Sigona. Motion carried unanimously.

Sue Chandler – Questioned the status of the land sale of three (3) acres.

Jenny Haines – Peter is negotiating a land sale now. He is interacting with Council, AIDA, Planning Board and Zoning Board.

Jenny Haines – introduces Elaine Buffington who will review the Audit and Financial statements.

2012 Audit and Financial Statements

Elaine Buffington – Reviewed the 2012 financial statements and audit (Attachment 3).

Jim Dacey – Questioned page 4 revenues and expenses.

Elaine Buffington – We will be going through that. Let me know if you still have questions after.

Jenny Haines – Explained the pay-off of a City loan that shows the difference in cash and cash equivalents (pg 6). The loan was for the purchase of property in Technology Park, and HUD required AIDA to repay the City's CDBG Program as part of a review of outstanding loans.

Change in net position is due to the \$10,000 contribution to CEDA for a job training program, as well as timing in procedures and projects.

Concerning Frank's notes on Fat Tire; Fat Tire is the real estate holding company and Auburn Armature is the operation entity.

Rob Poyer – will look into the legality of removing references to Auburn Armature in the financial statements, as AIDA's legal connection is to Fat Tire.

Elaine Buffington –Other procedures were to interview a Board member and staff. One concern was the security of financial materials being in an unlocked drawer.

Jennifer Haines – This has been rectified as of last week.

The Board needs to vote for approval of the financial statement with changes as needed. This needs to be submitted to the State by March 31. Motions will be needed for each.

Elaine Buffington – reference to Auburn Armature can be removed without affecting the statement.

Motion to accept the financial statement made by Michael Kane, seconded by Sue Chandler. Motion carried unanimously.

Motion to approve submission to PARIS made by Sue Chandler, seconded by Amanda Sigona. Motion carried unanimously.

Other Business

Jenny Haines – Refers to attached memo concerning IDA changes in the State Budget (Attachment 4).

Motion to adjourn made by Michael Kane, seconded by Amanda Sigona.

Meeting adjourned at 6:40.

Recorded by Alicia McKeen

**AUBURN INDUSTRIAL DEVELOPMENT AUTHORITY
SEQRA RESOLUTION**

Attachment 1

Lead Agency Acceptance
5500 Tech Park Blvd. – Mack Studios Expansion
Current Property Address: 35 Bradley St./City of Auburn Tax ID:108.80-1-1.41

By AIDA Member: Sue Chandler
Date: March 25, 2013

WHEREAS, the City of Auburn Planning Board has received an application for Major Site Plan Review for the construction of a 40,000 SF warehouse facility together with associated site improvements located adjacent to 5500 Tech Park Blvd on lands presently owned by the City of Auburn; and

WHEREAS, the City of Auburn Planning Board intends to conduct a Coordinated Environmental Review of Mack Studios Expansion, under SEQRA; and

WHEREAS, the Auburn Industrial Development Authority is an Involved Agency in such review with respect to a potential PILOT agreement associated with the expansion of Mack Studios; **NOW**,

THEREFORE, BE IT RESOLVED, by the Auburn Industrial Development Authority that the Board hereby has no objection to the City of Auburn Planning Board acting as Lead Agency for the SEQRA and directs staff to provide applicable Board comments to the City Planning Board for consideration in their environmental review of the proposed project.

Seconded by AIDA Member: Amanda Sigona

| ROLL CALL | YES | NO | ABSENT | ABSTAIN |
|--------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|
| Matthew Smith | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Sue Chandler | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Amanda Sigona | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Laurie Piccolo | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| William Graney | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Michael Kane | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Frank DeRosa | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| James Dacey, Chair | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

MOTION IS: ☒ Carried and Adopted ☐ Defeated, Not Adopted

March 23, 2013

To-AIDA Board Members

From-Frank DeRosa

I will be out of town Monday and not back in time for the meeting. I did however want to get you my thoughts on Mack Studio's application; an item in the AIDA audit report; and the dilemma, at least I believe we face as we review other applications down the road.

- 1- If we wish to remain consistent from applicant to applicant, and I believe we do, we should request the past three years real estate rental tax return schedules from the related party from whom Mack Studio's leases its facility.
- 2- Regarding the AIDA annual audit. Auburn Armature was sold in 2012 however not Fat Tire, a separate real estate entity as I understand it. I am wondering, as the audit report note 5 seems to use Fat Tire and Auburn Armature interchangeably in connection with the outstanding bond payable, whether there should be a discussion as to the whether the Auburn Armature notation should be eliminated from the footnote?
- 3- The latest version of the AIDA Incentive Structure worksheet as you know does not include guidelines for assessing the net economic benefit to the City of an applicant's proposed project. We never got around to really discussing the form I proposed to help us with this task. In addition to the task of assessing that figure, a prerequisite to granting PILOT benefits that make sense, a new variable is now thrown into the mix. That is the fact that the City is in fiscal distress with several years of budget deficits in its future and no publicized plan for reversing the inevitable. For AIDA the current scenario is similar to writing checks to cover variable costs without concern for the fact that we don't know how we are going to cover our fixed costs.

Until the City unveils their survival plan, I see no way I could vote in favor of any PILOT unless it without any doubt added substantial net economic benefits to City coffers. The AIDA board received harsh criticism last year for granting what some viewed as overly generous benefits to put it nicely, and the fact that the City was in such bad fiscal condition wasn't even public knowledge. I believe our two Council representatives, Matt and Bill, understand that AIDA still has a job to do. Their input with regard to current City Fiscal matters is crucial if we are to make informed and appropriate decisions on PILOTS. Matt and Bill if I were able to attend I would be asking you both for guidance that at this point only you two can provide, I hope you both will be attending and go prepared to assist the board with new input.

Auburn Industrial Development Authority

Financial Report

December 31, 2012 and 2011

DRAFT

Auburn Industrial Development Authority

Table of Contents

December 31, 2012 and 2011

| | <u>Page</u> |
|---|--------------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 3 |
| Financial Statements | |
| Statements of Net Position | 6 |
| Statements of Revenue and Expenses | 8 |
| Statements of Changes in Net Position | 9 |
| Statements of Cash Flows | 10 |
| Notes to Financial Statements | 11 |
| Other Reports and Schedules | |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> | 17 |

DRAFT

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 year ended December 31, 2012 and 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Auburn Industrial Development Authority, a component unit of the City of Auburn, State of New York, as of December 31, 2012 and 2011, and the respective changes in financial position and,

where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Buffington & Hoatland CPAs, PLLC
Auburn, New York
March 25, 2013

DRAFT

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, 2012 and 2011. 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.

The Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. The adoption of this statement changed the presentation of the basic financial statements to a statement of net position format.

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 and provides information about the nature and amounts of investments in resources (assets) and the obligations to the creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues and Expenses. This statement measures the financial success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The third required statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the period.

Condensed Comparative Financial Information

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

| Category | 2012 | 2011 |
|----------------------|---------------------|---------------------|
| Cash and Investments | \$ 77,867 | \$ 126,964 |
| Capital Assets | 273,694 | 273,694 |
| Other Assets | 3,752,193 | 3,823,433 |
| Total Assets | <u>\$ 4,103,754</u> | <u>\$ 4,224,091</u> |
| Current Liabilities | \$693,698 | \$ 495,325 |
| Long-Term Debt | 3,135,825 | 3,460,618 |
| Total Liabilities | <u>\$ 3,829,523</u> | <u>\$ 3,955,943</u> |

Condensed Comparative Financial Information (Continued)

| Category | 2012 | 2011 |
|---|------------|------------|
| Total Revenues (other than PILOT and pass through) | \$ 36,549 | \$ 86,305 |
| Total Expenses (other than PILOT and pass through) | (30,466) | (17,221) |
| Increase in Net Position | \$ 6,083 | \$ 69,084 |
| Net Position - Invested in capital, net of related debt | \$ 205,594 | \$ 148,374 |
| Net Position - Unrestricted | 68,637 | 119,774 |
| Total Net Position | \$ 274,231 | \$ 268,148 |

Change in financial categories between 2012 and 2011 include the following:

- The Authority's total net position increased \$6,083 or 2.3%
- Cash and Investments decreased \$49,097 or (38.7%)
- Current liabilities, other than PILOT payments, increased \$26,595 or 12.5%
- The Authority transferred \$57,220 from Net Position – Unrestricted to Net Position – Invested in capital, net of related debt for payoff of loan during the year
- Operating Revenues, other than PILOT payments decreased \$49,697 or (57.7%)
- Operating Expenses, other than PILOT payments increased \$13,245 or 87.2%

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, 2012, the Authority received in administrative fees and interest income from these sources \$36,549, a decrease of \$49,756 from the prior year. 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. The decrease is due to the fewer PILOT negotiations and related fees during the fiscal year. For qualified transactions, the Authority enters into PILOT agreements in which the Authority collects payments that are disbursed to the appropriate tax jurisdictions. The PILOT payments are a significant component in the annual revenues of the Authority, equaling \$1,502,955 and \$966,122 in the year ended December 31, 2012 and 2011, respectively. During the year ended December 31, 2012, the Authority negotiated one new PILOT agreement.

Capital Asset and Debt Administration

Capital Assets: As of December 31, 2012, 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 four long term debt obligations consisting of 2 bonds and 2 notes that total \$3,296,161. The Authority did not incur any new long term debt obligations in the year ended December 31, 2012. One note payable was paid off during the year ended December 31, 2012. The obligations include:

Bonds Payable:

- **Fat Tire, LLC (Auburn Armature) - \$905,000**
Variable interest paid quarterly, matures July 1, 2018, quarterly principal payments per a variable payment schedule beginning July 2001.
- **Bluefield Manor Housing, Inc. - \$2,391,161**
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.

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 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.

Economic Factors

The Authority's basic purpose is to assist business growth and expansion in Cayuga County, New York. The business and economic climate in the County has been relatively steady over the past two years, despite more adverse conditions facing other parts of the United States. At the present time the Authority has one active application 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 City of Auburn.

Respectfully yours,

Jennifer Haines
Executive Director

Auburn Industrial Development Authority

Statements of Net Position

December 31, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 77,867 | \$ 126,964 |
| PILOT payment receivable | 456,032 | 284,254 |
| Property leases - current | <u>228,436</u> | <u>203,881</u> |
| Total Current Assets | <u>762,335</u> | <u>615,099</u> |
| Capital Assets | | |
| Land | 273,694 | 273,694 |
| Equipment | <u>35,458</u> | <u>35,458</u> |
| | 309,152 | 309,152 |
| Less: Accumulated depreciation | <u>(35,458)</u> | <u>(35,458)</u> |
| Total Capital Assets, Net | <u>273,694</u> | <u>273,694</u> |
| Property Leases - Net of Current | <u>3,067,725</u> | <u>3,335,298</u> |
| Total Assets | <u>\$ 4,103,754</u> | <u>\$ 4,224,091</u> |

See notes to financial statements.

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Bonds payable - current | \$ 228,436 | \$ 203,881 |
| Interest payable | 11,730 | 9,690 |
| PILOT payments payable | <u>453,532</u> | <u>281,754</u> |
| Total Current Liabilities | <u>693,698</u> | <u>495,325</u> |
| Long-Term Debt | | |
| Bonds payable, net of current | 3,067,725 | 3,335,298 |
| Notes payable | <u>68,100</u> | <u>125,320</u> |
| Total Long-Term Debt | <u>3,135,825</u> | <u>3,460,618</u> |
| Total Liabilities | <u>3,829,523</u> | <u>3,955,943</u> |
| Net Position | | |
| Invested in capital assets, net of related debt | 205,594 | 148,374 |
| Unrestricted | <u>68,637</u> | <u>119,774</u> |
| Total Net Postion | <u>274,231</u> | <u>268,148</u> |
| Total Liabilities and Net Position | <u>\$ 4,103,754</u> | <u>\$ 4,224,091</u> |

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Revenue and Expenses

Years Ended December 31, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|--|------------------|------------------|
| Operating Revenue | | |
| PILOT revenue | \$ 1,502,955 | 966,122 |
| Administrative fee income | <u>36,432</u> | <u>86,129</u> |
| Total Operating Revenue | <u>1,539,387</u> | <u>1,052,251</u> |
| Operating Expenses | | |
| PILOT expenses | 1,502,955 | 966,122 |
| Dues and subscriptions | 1,000 | 1,250 |
| Office supplies | 968 | 975 |
| Professional fees | 13,045 | 7,815 |
| License fee | - | 1,866 |
| Conferences, seminars, and trade shows | 3,413 | 3,275 |
| Miscellaneous | <u>10,000</u> | <u>-</u> |
| Total Operating Expenses | <u>1,531,381</u> | <u>981,303</u> |
| Operating Income | <u>8,006</u> | <u>70,948</u> |
| Non-Operating Income (Expenses) | | |
| Interest income | 117 | 176 |
| Interest expense | <u>(2,040)</u> | <u>(2,040)</u> |
| Total Non-Operating Income (Expenses) | <u>(1,923)</u> | <u>(1,864)</u> |
| Changes in Net Position | <u>\$ 6,083</u> | <u>\$ 69,084</u> |

See notes to financial statements.

Auburn Industrial Development Authority

Statements of Changes in Net Position

Years Ended December 31, 2012 and 2011

| | Invested in Capital Assets, Net of Related Debt | Unrestricted | Total Net Position |
|---|--|--------------|-----------------------|
| Net Position - Beginning January 1, 2011 | \$ 148,374 | \$ 50,690 | \$ 199,064 |
| Changes in net position | - | 69,084 | 69,084 |
| Net Position - Ending December 31, 2011 | 148,374 | 119,774 | 268,148 |
| Transfer for the payment of debt, related to capital asset | 57,220 | (57,220) | - |
| Changes in net position | - | 6,083 | 6,083 |
| Net Position - Ending December 31, 2012 | \$ 205,594 | \$ 68,637 | \$ 274,231 |

DRAFT

Auburn Industrial Development Authority

Statements of Cash Flows

Years Ended December 31, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Cash received for PILOT program | \$ 1,328,677 | \$ 1,078,962 |
| Cash payments for PILOT program | (1,328,677) | (1,072,930) |
| Cash paid for professional fees | (13,045) | (7,815) |
| Cash received for administrative fees | 36,432 | 86,129 |
| Cash received from interest income | 117 | 176 |
| Cash paid for other operating expenses | (15,381) | (9,601) |
| Net Cash Provided by Operating Activities | <u>8,123</u> | <u>74,921</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from investments | <u>-</u> | <u>39,757</u> |
| Cash Flows from Financing Activities | | |
| Payment on notes payable | (57,220) | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | (49,097) | 114,678 |
| Cash and Cash Equivalents - Beginning | <u>126,964</u> | <u>12,286</u> |
| Cash and Cash Equivalents - Ending | <u>\$ 77,867</u> | <u>\$ 126,964</u> |
| Reconciliation of Changes in Net Position to Net Cash Provided by Operating Activities | | |
| Changes in net position | \$ 6,083 | \$ 69,084 |
| Adjustments to reconcile change in net position to net cash provided by operating activities: | | |
| (Increase) decrease in assets: | | |
| PILOT payments receivable | (171,778) | 110,604 |
| Increase (decrease) in liabilities: | | |
| Interest payable | 2,040 | 2,040 |
| PILOT payments payable | 171,778 | (106,807) |
| Net Cash Provided by Operating Activities | <u>\$ 8,123</u> | <u>\$ 74,921</u> |

See notes to financial statements.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2012 and 2011

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.

The Authority adopted GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2012 and 2011

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, 2012 and 2011.

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, 2012 and 2011, the Authority has no restricted net positions.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2012 and 2011

Note 2 - Estimates and 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, 2012 and 2011, 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.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2012 and 2011

Note 3 - Capital Assets

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

| | Balance December 31, 2011 | Additions | Retirements | Balance December 31, 2012 |
|--|---------------------------------|-------------|-------------|---------------------------------|
| Land | \$ 273,694 | \$ - | \$ - | \$ 273,694 |
| Equipment | 35,458 | - | - | 35,458 |
| Totals at Cost | 309,152 | - | - | 309,152 |
| Accumulated depreciation for: Equipment | (35,458) | - | - | (35,458) |
| Capital Assets, Net | \$ 273,694 | \$ - | \$ - | \$ 273,694 |

| | Balance December 31, 2010 | Additions | Retirements | Balance December 31, 2011 |
|--|---------------------------------|-------------|-------------|---------------------------------|
| Land | \$ 273,694 | \$ - | \$ - | \$ 273,694 |
| Equipment | 35,458 | - | - | 35,458 |
| Totals at Cost | 309,152 | - | - | 309,152 |
| Accumulated depreciation for: Equipment | (35,458) | - | - | (35,458) |
| Capital Assets, Net | \$ 273,694 | \$ - | \$ - | \$ 273,694 |

Note 4 - Property Leases and Bonds Payable

In accordance with its corporate purpose, the Authority has issued bonds to promote and develop various businesses within the City of Auburn. The Authority holds legal title to the properties, under which such bonds were issued in order for businesses to acquire or renovate various facilities. The bonds represent non-recourse debt of the Authority. The Authority's primary function is to arrange financing between borrowing companies and bondholders. For providing this service, the Authority receives administration fees from the borrowing companies.

The Authority leases the facilities to the businesses under capital lease arrangements. These leases are considered to be capital leases since the lessee can purchase the facility at the end of the lease term for a nominal amount.

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2012 and 2011

Note 4 - Property Leases and Bonds Payable (Continued)

Each asset, "Property Leases" is offset by an equal liability "Bonds Payable". The Authority acts as an intermediary between the principal receipts from the lessee and the principal payments on the bonds as the Authority does not receive or pay these monies directly. Any interest collected and paid on the bonds is excluded from the accompanying statements.

As of December 31, 2012, 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 eleven PILOT agreements with other companies. The Authority collects these payments from each of these companies then remits them to the appropriate taxing authorities. The arrangements end at the expiration of each lease.

Note 5 - Bonds Payable

The Authority has the following bonds as of December 31:

| | <u>2012</u> | <u>2011</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 | \$ 905,000 | \$1,045,000 |
| 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>2,391,161</u> | <u>2,494,179</u> |
| | 3,296,161 | 3,539,179 |
| Current portion | <u>228,436</u> | <u>203,881</u> |
| | <u>\$3,067,725</u> | <u>\$3,335,298</u> |

Auburn Industrial Development Authority

Notes to Financial Statements

December 31, 2012 and 2011

Note 5 - Bonds Payable (Continued)

Each of the bond accounts is held by a bank as trustee. The lessees pay the trustees directly the required principal and interest payments.

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

| | |
|------------|--------------------|
| 2013 | \$ 228,436 |
| 2014 | 238,239 |
| 2015 | 257,302 |
| 2016 | 272,302 |
| 2017 | 282,302 |
| Thereafter | <u>2,017,580</u> |
| | <u>\$3,296,161</u> |

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>2012</u> | <u>2011</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 sale of property at 5000 Technology Park Boulevard, Auburn; collateralized by a mortgage on the property. | - | 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>\$ 68,100</u> | <u>\$125,320</u> |

Note 7 - Subsequent Events

Management has evaluated subsequent events through March 25, 2013, the date on which the financial statements were available to be issued.

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Governmental Auditing Standards***

To the Board of Directors
Auburn Industrial Development Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Auburn Industrial Authority as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Auburn Industrial Development Authority's basic financial statements, and have issued our report thereon dated March 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Auburn Industrial Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Auburn Industrial Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Auburn Industrial Development Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Auburn Industrial Development Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing

an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Buffington & Hoatland CPAs, PLLC
Auburn, New York
March 25, 2013

DRAFT

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, 2012 and 2011. 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.

The Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. The adoption of this statement changed the presentation of the basic financial statements to a statement of net position format.

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 and provides information about the nature and amounts of investments in resources (assets) and the obligations to the creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues and Expenses. This statement measures the financial success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The third required statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the period.

Condensed Comparative Financial Information

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

| Category | 2012 | 2011 |
|----------------------|---------------------|---------------------|
| Cash and Investments | \$ 77,867 | \$ 126,964 |
| Capital Assets | 273,694 | 273,694 |
| Other Assets | 3,752,193 | 3,823,433 |
| Total Assets | <u>\$ 4,103,754</u> | <u>\$ 4,224,091</u> |
| Current Liabilities | \$693,698 | \$ 495,325 |
| Long-Term Debt | 3,135,825 | 3,460,618 |
| Total Liabilities | <u>\$ 3,829,523</u> | <u>\$ 3,955,943</u> |

Condensed Comparative Financial Information (Continued)

| Category | 2012 | 2011 |
|---|------------|------------|
| Total Revenues (other than PILOT and pass through) | \$ 36,549 | \$ 86,305 |
| Total Expenses (other than PILOT and pass through) | (30,466) | (17,221) |
| Increase in Net Position | \$ 6,083 | \$ 69,084 |
| Net Position - Invested in capital, net of related debt | \$ 205,594 | \$ 148,374 |
| Net Position - Unrestricted | 68,637 | 119,774 |
| Total Net Position | \$ 274,231 | \$ 268,148 |

Change in financial categories between 2012 and 2011 include the following:

- The Authority's total net position increased \$6,083 or 2.3%
- Cash and Investments decreased \$49,097 or (38.7%)
- Current liabilities, other than PILOT payments, increased \$26,595 or 12.5%
- The Authority transferred \$57,220 from Net Position – Unrestricted to Net Position – Invested in capital, net of related debt for payoff of loan during the year
- Operating Revenues, other than PILOT payments decreased \$49,697 or (57.7%)
- Operating Expenses, other than PILOT payments increased \$13,245 or 87.2%

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, 2012, the Authority received in administrative fees and interest income from these sources \$36,549, a decrease of \$49,756 from the prior year. 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. The decrease is due to the fewer PILOT negotiations and related fees during the fiscal year. For qualified transactions, the Authority enters into PILOT agreements in which the Authority collects payments that are disbursed to the appropriate tax jurisdictions. The PILOT payments are a significant component in the annual revenues of the Authority, equaling \$1,502,955 and \$966,122 in the year ended December 31, 2012 and 2011, respectively. During the year ended December 31, 2012, the Authority negotiated one new PILOT agreement.

Capital Asset and Debt Administration

Capital Assets: As of December 31, 2012, 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 four long term debt obligations consisting of 2 bonds and 2 notes that total \$3,296,161. The Authority did not incur any new long term debt obligations in the year ended December 31, 2012. One note payable was paid off during the year ended December 31, 2012. The obligations include:

Bonds Payable:

- **Fat Tire, LLC - \$905,000**
Variable interest paid quarterly, matures July 1, 2018, quarterly principal payments per a variable payment schedule beginning July 2001. The bond was paid off in January 2013.
- **Bluefield Manor Housing, Inc. - \$2,391,161**
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.

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 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.

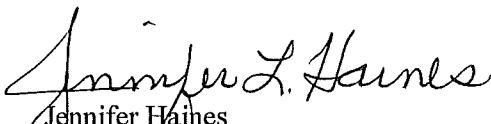
Economic Factors

The Authority's basic purpose is to assist business growth and expansion in Cayuga County, New York. The business and economic climate in the County has been relatively steady over the past two years, despite more adverse conditions facing other parts of the United States. At the present time the Authority has one active application 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 City of Auburn.

Respectfully yours,


Jennifer Haines
Executive Director

Haines, Jennifer

From: Brian McMahon <McMahon@NYSEDC.org>
Sent: Monday, March 25, 2013 9:03 AM
To: Brian McMahon
Subject: Agreement reached on IDA State Sales Tax issue...

MEMORANDUM

March 25, 2013

TO: NYSEDC board members, IDA Executive Directors and attorneys

FROM: Brian McMahon

RE: Budget agreement on IDAs

Last night, the Governor's Office, Senate and Assembly reached agreement on IDA "reform" in the State Budget.

The agreement does not require either ESD or Regional Council approval in order for IDAs to provide State Sales Tax abatements, which the Governor had proposed in his budget in January. The agreement does contain the following provisions:

1. Restoration of the pre-2008 retail prohibition with the exemptions that existed at that time, including:
 - a. A tourism destination project
 - b. A project located in a highly distressed area
 - c. A project that provides a product or service to the area that otherwise would not be available

The budget agreement omits the exemption that existed prior to 2008 for retail projects that, but for the assistance provided by the IDA, would locate out of state.

2. IDAs must keep records of state and local sales tax exemptions provided to each project and make such records available to the Tax Commissioner upon request.

Within 30 days of approving a project, an IDA must report to the Tax Commissioner the amount of State Sales Tax benefits provided to the project owner. The report may be done in combination with the form that IDAs must file with the Tax Commissioner designating agents of the IDA, or it may be submitted separately, as determined by the Commissioner. Failure to provide such report could result in an IDA losing its authority to provide State Sales Tax abatements, until such as time as the report is filed.

IDAs are required to recapture State Sales Tax benefits awarded to which the project owner is not entitled or which are in excess of the amounts authorized.

State Sales Tax benefits recaptured shall be returned to the Department of Taxation and Finance within 30 days of recapturing such benefits.

IDAs must include in their project documents and resolutions terms and conditions of these provisions.

IDAs must file an annual report with the Tax Commissioner detailing its terms and conditions related to these provisions and its activities to recapture unauthorized State Sales Tax benefits. The report is to be filed with Division of Budget, State Comptroller, ESD Commissioner, and legislative body of the jurisdiction served by the IDA.

The form that IDAs file with the Tax Commissioner designating agents of the IDA cannot serve as a Sales Tax Exemption certificate. Use of this form for this purpose shall be deemed a fraudulent use.

IDAs shall post on the internet and make available without charge when asked in writing copies of its resolutions and agreements appointing project agents or operators.

Within 30 days of terminating, amending, revoking or making an agent agreement invalid, an IDA shall report to the Commissioner on a form developed by the agency describing the reasons for such changes.

A full summary of economic development provisions contained in the budget will be provided to NYSEDC members when all the bills are printed.

Brian McMahon
Executive Director
New York State Economic Development Council
111 Washington Avenue, 6th Floor
Albany, NY 12210
Phone: (518) 426-4058 x3
Cell: (518) 879-1700
Fax: (518) 426-4059
www.nysedc.org



Leadership. Advocacy. Professional Development.