AUBURN INDUSTRIAL
DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY
INFORMATION

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DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

March 26, 2024

To the Board of Directors of
Auburn Industrial Development Authority

Opinion

We have audited the financial statements of Auburn Industrial Development Authority, a component unit of the City of Auburn, State of New York, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Auburn Industrial Development Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Auburn Industrial Development Authority, a component unit of the City of Auburn, State of New York, as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of Auburn Industrial Development Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Auburn Industrial Development Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Auburn Industrial Development Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Auburn Industrial Development Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Auburn Industrial Development Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024, on our consideration of Auburn Industrial Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Auburn Industrial Development Authority's internal control over financial reporting and compliance.

Dannible + McKee, LLP

AUBURN INDUSTRIAL DEVELOPMENT AUTHORITY

Management’s Discussion and Analysis (Unaudited)

March 26, 2024

This section of the Auburn Industrial Development Authority’s annual financial report presents management’s discussion and analysis of the Authority’s financial performance during the year ended December 31, 2023. It should be read in conjunction with the Authority’s financial statements and accompanying notes.

Basic Financial Statements

The annual financial report consists of two parts: Management’s Discussion and Analysis (this section) and the basic financial statements. The Authority is a self-supporting entity and the accounts are recorded in accordance with a proprietary fund type. Proprietary fund type operating statements present increases and decreases in net assets. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

Required Financial Statements

The financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short-term financial information about its activities. The Statements of Net Position includes all of the Authority’s assets and liabilities with the difference reported as net position. It provides the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year’s revenues and expenses are accounted for in the Statements of Revenue 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 Statements 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 the 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.

	December 31, 2023	December 31, 2022
Assets:		
Cash and cash equivalents	$ 1,306,107	$ 871,309
PILOT payments receivable	204,315	138,840
Capital assets	314,463	317,631
Total assets	$ 1,824,885	$ 1,327,780
Liabilities:		
Current liabilities	$ 1,351,614	$ 780,805
Long-term liabilities	23,100	23,100
Total liabilities	$ 1,374,714	$ 803,905

	Year ended December 31, 2023	Year ended December 31, 2022
Revenue:		
Administrative fee income	$ -	$ 34,669
Option fee income	-	10,000
Interest income	1,887	715
Total revenue	1,887	45,384
Expenses:		
Contract services	20,002	20,067
Professional fees	8,700	9,064
Marketing	9,035	53,436
General and administrative	5,558	6,128
PILOT penalty and interest expense	32,296	-
Total expenses	75,591	88,695
Change in net position	$ (73,704)	$ (43,311)

Change in financial categories between 2023 and 2022 include the following:

- Total change in net position decreased by $30,393 or 70.17%.
- Cash and cash equivalents increased by $434,798 or 49.90% due to undistributed PILOT payments at year-end.
- Current liabilities increased $570,809 or 73.11% due to PILOT payments payable.

- Operating revenues decreased $44,669 or 100% as a result of the fact that no new projects were undertaken in 2023 and therefore no administrative fees were earned.
- Operating expenses decreased $45,400 or 51.30% in 2023 versus 2022. The primary category in which the decrease is seen in is marketing, where in 2022 the website and other marketing tools were revised.

Financial Analysis of the Authority

The Authority is engaged in activities to support economic growth in the City of Auburn, including job creation and retention, and increasing the net wealth of the City. The Authority does not receive any general appropriations from local, county or state government to support its operations. The Authority collects revenue for its operating purposes from the issuance of bonds and PILOTs, administrative fees, and from interest on investments. In the year ended December 31, 2023, the Authority received interest income from these sources in the amount of $1,887, a decrease of $43,497 from the prior year. In the year ended December 31, 2022, the Authority received administrative fees, option fees, and interest income in the amount of $45,384. There were no new PILOT applications in 2023 and therefore no administrative fees were collected. For qualified transactions, the Authority enters into PILOT agreements in which the Authority collects payments that are disbursed to the appropriate tax jurisdictions. PILOT payments are collected but are a pass-through to various municipalities, so do not show up as revenue.

PILOT amounts charged equaled $1,296,547 in the year ended December 31, 2023. This is an increase of $72,314 compared to 2022. The increase is related to normal annual reduction of abatement for most projects, as well as some adjusted property assessments.

Capital Asset and Debt Administration

Capital Assets: As of December 31, 2023, the Authority's investment in capital assets was $314,463 (net of depreciation). The principal capital assets of the Authority are 28.31 acres of land acquired as part of the strategic acquisition of land and buildings for future development. This is exclusive of property leases.

Long Term Debt: The Authority has two long-term debt obligations consisting of one conduit bond and one note payable that total $1,047,499. The Authority did not incur any new long-term debt obligations in the year ended December 31, 2023. The obligations include:

Conduit Bond Payable:

- Bluefield Manor Housing, Inc.

The bond's balance at December 31, 2023, is $1,024,399 payable in monthly installments of $13,210, including interest at a 5-year Treasury rate plus ½ percent adjustable on 5-year anniversaries, until August 1, 2030. The interest rate is the prevailing five-year Treasury bill rate plus ½%. The bond is collateralized by the property and equipment, accounts receivable, and general intangibles.

Note Payable:

A note payable to the City of Auburn of $23,100 with annual interest payments of $690, representing interest only at 3% commencing April 2002. Principal is due upon the sale of 5000 Technology Park Boulevard, Auburn. Collateralized by a first mortgage on the property. No interest has been paid on this note since 2008. There was some question of whether a waiver was granted by the City of Auburn to excuse the Authority from paying the interest. There is no record of a waiver being requested or granted. However, the City stopped billing the Authority for the interest which is why it stopped being paid. The Authority can request a waiver, or the City can invoice the Authority for the payments missed and start the billing again. Both options are currently under consideration.

Economic Factors

The Authority's basic purpose is to assist business growth and expansion in the City of Auburn, New York. Looking ahead, the City of Auburn has been presented with unique opportunities that could improve economic conditions. In addition to existing opportunities, such as the Opportunity Zone and Downtown Revitalization Initiative funding, the Authority recognized a trend for businesses and talent seeking more open space during the pandemic and how the City's assets align with these and other emerging trends. As a result, the Authority extended its contract with a marketing firm to continue its work with building a place-based brand for the City with the purpose of targeting business and talent attraction. At the conclusion of the new website and other tools, the contract with the outside agency was terminated.

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 Auburn Industrial Development Authority.

Respectfully yours,

Gwen Webber-McLeod

Gwen Webber-McLeod
Board of Directors Chair

AUBURN INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF NET POSITION

	December 31,	
Assets	2023	2022
Current assets:		
Cash and cash equivalents (Note 1)	$1,306,107	$ 871,309
PILOT payments receivable (Note 1)	204,315	138,840
Total current assets	1,510,422	1,010,149
Capital assets, net (Notes 1 and 2)	314,463	317,631
	$1,824,885	$1,327,780
Liabilities and Net Position		
Current liabilities:		
PILOT payments payable (Note 1)	$1,328,853	$ 760,497
Accounts payable	11,541	9,778
Interest payable (Note 3)	11,220	10,530
Total current liabilities	1,351,614	780,805
Note payable (Note 3)	23,100	23,100
	1,374,714	803,905
Net position (Note 1):		
Net invested in capital assets, net of related debt (Note 3)	291,363	294,531
Unrestricted	158,808	229,344
Total net position	450,171	523,875
	$1,824,885	$1,327,780

See accompanying notes to financial statements.

AUBURN INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUE AND EXPENSES

	Year ended December 31, 2023	2022
Operating revenue:		
Administrative fee income (Note 1)	$ -	$ 34,669
Option fee income (Notes 1 and 5)	-	10,000
Total operating revenue	-	44,669
Operating expenses:		
Dues and subscriptions	1,486	-
Professional fees	8,700	9,064
Contract services	20,002	20,067
Marketing	9,035	53,436
Depreciation	3,168	5,280
Miscellaneous	214	158
Total operating expenses	42,605	88,005
Operating loss	(42,605)	(43,336)
Non-operating income (expense):		
Interest income	1,887	715
PILOT penalty and interest expense	(32,296)	-
Interest expense	(690)	(690)
Total non-operating income (expense)	(31,099)	25
Change in net position	$ (73,704)	$ (43,311)

See accompanying notes to financial statements.

AUBURN INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF CHANGES IN NET POSITION

	Invested in Capital Assets, Net of Related Debt	Unrestricted	Total Net Position
Net position as of December 31, 2021	$ 299,811	$ 267,375	$ 567,186
Change in net position	(5,280)	(38,031)	(43,311)
Net position as of December 31, 2022	294,531	229,344	523,875
Change in net position	(3,168)	(70,536)	(73,704)
Net position as of December 31, 2023	$ 291,363	$ 158,808	$ 450,171

See accompanying notes to financial statements.

AUBURN INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2023	2022
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Cash received for PILOT program	$ 1,231,072	$ 1,100,347
Cash payments for PILOT program	(760,477)	(1,008,734)
Cash paid for professional fees	(8,700)	(9,064)
Cash received for administrative fees	-	44,669
Cash received for interest income	1,887	715
Cash paid for other operating expenses	(28,984)	(97,000)
Net cash provided by operating activities	434,798	30,933
Net increase in cash and cash equivalents	434,798	30,933
Cash and cash equivalents, beginning of year	871,309	840,376
Cash and cash equivalents, end of year	$ 1,306,107	$ 871,309

	Year ended December 31,	
	2023	2022
Reconciliation of change in net position to net cash provided by operating activities		
Change in net position	$ (73,704)	$ (43,311)
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	3,168	5,280
Increase in PILOT payments receivable	(65,475)	(123,886)
Increase in PILOT payments payable	568,356	215,499
Increase (decrease) in accounts payable	1,763	(23,339)
Increase in interest payable	690	690
Net cash provided by operating activities	$ 434,798	$ 30,933

See accompanying notes to financial statements.

Note 1 - Summary of significant accounting policies

Nature of operations - The Auburn Industrial Development Authority (the "Authority") was created by the New York State Legislature in 1969 as Title 15 of Article 8 of the Public Authorities Law ("Article 8"). The Authority was formed to advance the job opportunities, general prosperity, sustainability and economic welfare of the people of the City of Auburn, New York, through the use of economic development incentives for qualified projects within the City. The Authority created under Article 8 is a corporate governmental authority constituting a public benefit corporation. The Authority is considered a component unit of the City of Auburn.

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

Basis of presentation - GASB requires the classification of net position into three classifications as defined below.

Net invested in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted net position - This component of net position consists of amounts which have external constraints placed on their use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. As of December 31, 2023 and 2022, the Authority has no restricted net positions.

Unrestricted net position - This component of net positions consists of funds that do not meet the definition of "invested in capital assets, net of related debt," or "restricted."

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

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

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

The Authority is responsible for tracking all PILOT payments whether made by the Authority in connection with property it owns, made directly to the taxing authorities by the organizations participating in the program, or collections by the Authority from organizations participating in the program. A total of 14 organizations participated in the PILOT program and $1,296,547 and $1,224,233 in payments were administrated by the Authority for the years ended December 31, 2023 and 2022, respectively.

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 (FDIC) up to $250,000 for the years ended December 31, 2023 and 2022. The amounts over the FDIC limit are secured by United States Treasury bills.

Cash and cash equivalents - For the purpose of the statements of cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

PILOT payments receivable and PILOT payments payable - PILOT payments receivable represents the outstanding balance on total PILOT payments due from participating organizations. PILOT payments payable represents the unremitted amounts due to tax jurisdictions based on the specific contracts. The difference between PILOT payments receivable and PILOT payments payable represents cash collected by the Authority not yet paid to the tax jurisdictions by year-end. Unpaid balances remaining after the stated payment terms are considered past due. Invoices unpaid beyond thirty (30) days are subject to a 5 percent late payment penalty, and a 1 percent interest charge per month thereafter, payable by the Authority or the participating organization. The party responsible for the fee is determined based on the circumstances surrounding the late payment.

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 the straight-line method over the estimated useful lives of the respective classes of property.

Depreciation expense was $3,168 and $5,280 for the years ended December 31, 2023 and 2022, respectively.

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

As of December 31, 2023 and 2022, outstanding debt induced by the Authority and issued by other entities amounted to $1,047,499 and $1,191,820, respectively. Debt service is paid directly to the lender by the entity that incurred the supplemental debt. The Authority has no liability or contingent liability for the payment.

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.

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

Subsequent events - Management has evaluated subsequent events through March 26, 2024, the date that the financial statements were available for issue.

Note 2 - Capital assets

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

	2022	Additions	Retirements	2023
Land	$ 309,712	$ -	$ -	$ 309,712
Equipment	36,532	-	-	36,532
Totals at cost	346,244	-	-	346,244
Accumulated depreciation for:				
Equipment	(28,613)	(3,168)	-	(31,781)
Capital assets, net	$ 317,631	$ (3,168)	$ -	$ 314,463

Note 3 - Note payable

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

	2023	2022
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 of property at 5000 Technology Park Boulevard, collateralized by a mortgage on the property.	$ 23,100	$ 23,100

Interest payable totaled $11,220 and $10,530 for the years ended December 31, 2023 and 2022, respectively.

Note 4 - Commitments and contingencies

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

Note 5 - Option fee income

During the year ended December 31, 2022, the Authority entered into a five-year option contract related to land owned by the Authority. Under this agreement, the other party (the "Business") will pay $10,000 annually for the option to purchase a designated parcel of land for $120,400. Should the Business exercise its option to purchase, the initial payment and any subsequent payments will be credited towards the purchase price of the property upon closing. The agreement is cancelable by either party if the Business fails to obtain the necessary licensing to operate, however, the fees paid are not refundable. For the year ended December 31, 2022, the Authority recognized $10,000 of option fee income related to this agreement in the accompanying statements of revenue and expenses. During the year ended December 31, 2023, the Business chose to terminate this agreement, therefore no option fee income was earned.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

March 26, 2024

To the Board of Directors of
Auburn Industrial Development Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Auburn Industrial Development Authority, a component unit of the City of Auburn, State of New York, as of and for the year ended December 31, 2023, 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 26, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 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 that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-01 and 2023-02 that we consider to be material weaknesses.

Report on 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, and contracts, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 2023-03.

Auburn Industrial Development Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Auburn Industrial Development Authority's response to the findings identified in our engagement and described in the accompanying schedule of findings and responses. Auburn Industrial Development Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Dannible + McKee, LLP

DANNIBLE & McKEE, LLP
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Independent Auditor's Report on Compliance with Sections 2327 and 2925(3)(f) of the New York State Public Authorities Law

March 26, 2024

To the Board of Directors of
Auburn Industrial Development Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Auburn Industrial Development Authority (the "Authority"), a component unit of the City of Auburn, State of New York, which comprise the statement of net position as of December 31, 2023, and the related statements of revenue and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated March 26, 2024.

In connection with our audit, we noted one instance where the Authority failed to remit payment to a tax jurisdiction timely in accordance with §2327(5). In accordance with §2327(6), the Authority is subject to a penalty fee for late payments. See item 2023-03 in the accompanying schedule of findings and responses.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2023. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority 's noncompliance with the above rules and regulations.

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

Dannible + McKee, LLP

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of Auburn Industrial Development Authority**.**

2. Two material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. There was one instance of noncompliance identified material to the financial statements of Auburn Industrial Development Authority reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

II. FINANCIAL STATEMENT AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended December 31, 2023

2023-001 Material Weakness in Internal Control over Financial Reporting - Inadequate Controls Related to Tracking and Reconciling Cash Balances.

Criteria: The proper tracking of cash is necessary for management to determine cash available for operations at a given time.

Condition: There is currently no mechanism in the internal accounting system which prevents users from making changes to closed periods. Procedures are not in place to ensure proper posting of cash transactions for cutoff and classification.

Context: While reviewing cash we noted a negative balance in undeposited funds which had to be adjusted during the audit. Based on our audit this appears to be a result of transactions being changed or voided after reconciliations were completed. In addition, we noted instances where checks received but not deposited at the bank were not recorded in the general ledger until the date they were deposited. Finally, we noted one instance where a transfer from savings to checking was not posted to the general ledger until a month after it cleared the bank statement.

Effect or Potential Effect: Making changes to closed periods in the accounting system without updating the appropriate account reconciliations significantly increases the likelihood of errors and future audit difficulties.

Failure to adequately track cash balances may result in insufficient funds fees, misstatement of cash, payable, and receivable balances, and in certain instances, may lead to noncompliance with laws and regulations. See Finding 2022-003.

Cause: High rates of turnover in the current and prior year have resulted in difficulties related to training accounting personnel and ensuring procedures are consistently and adequately followed.

Recommendation: We recommend that checks received but not yet deposited be recorded in the Undeposited Funds account in the general ledger as of the date received. We further recommend the Authority require that deposits in the accounting system are posted to mirror actual activity per the ACH total/bank deposit slip and that checks are posted in the accounting system as of the date the check is written and mailed. We recommend the Authority require its accounting personnel to re-reconcile any cash accounts for which changes were made after the month was closed. We further recommend the Authority password protect closed periods in QuickBooks so that the user is notified when changes modify closed periods.

Views of Responsible Official(s) and Planned Corrective Actions: The Authority is developing specific internal control procedures to ensure recommendations are implemented, and that monthly and annual closing procedures are strictly adhered to. The Authority's Finance Committee will engage in a monthly review of the bank reconciliation and general detail reports to verify cash balances reported throughout the year can be relied upon.

2023-002 Material Weakness in Internal Control over Financial Reporting - Inadequate Controls Related to Tracking and Reconciling PILOT Payments Receivable and PILOT Payments Payable.

Criteria: The proper tracking of PILOT payments receivable and PILOT payments payable is necessary to ensure the Authority is in compliance with New York State law.

Condition: Presently there is inadequate training and lack of monitoring of PILOT payments.

Context: During the audit, management provided a PILOT schedule which did not agree to the beginning or ending PILOT payments receivable or PILOT payments payable accounts, but instead presented the transactions as if all PILOTs were received and paid out timely during the year. This did not accurately reflect actual transactions.

During our audit we noted instances, including:

1. Certain cash receipts related to PILOTs were applied to the incorrect company's receivable balance.
2. Certain cash receipts related to PILOTs were not recorded in undeposited funds at the date the checks were received (when there was a delay in depositing said funds).

3. Certain amounts billed to companies did not agree to the active PILOT schedule used to track and calculate payments. Certain invoiced amounts did not agree to the contract terms which dictate specific tax abatement percentages or assessed values to be used in determining PILOT amounts.
4. Certain PILOT invoices were edited multiple times in the accounting system and edited versions were sent to companies, while the invoice date remained unchanged.

Effect or Potential Effect: Failure to adequately track PILOTs may result in misstatement of cash, payable, and receivable balances, and in certain instances, may lead to noncompliance with laws and regulations. See Finding 2023-003.

Cause: High rates of turnover in the current and prior year have resulted in difficulties related to training accounting personnel and ensuring procedures are consistently and adequately followed.

Recommendation: Based on high turnover and recurring issues in tracking receivables and payments to government tax authorities, we recommend:

1. Management updates their PILOT tracking schedule. The updated tracking schedule should include more detail to clearly, concisely, and accurately show:
   a. Current year PILOT charges.
      i. Name of company which owes PILOT
      ii. Date invoiced.
      iii. Breakdown of amount to be passed through to each individual taxing authority which reconciles to each total invoice.
   b. Payments received.
      i. Date check received by the Authority, regardless of date deposited.
      ii. Check number and amount.
      iii. Deposit date and deposit total.
   c. Payments sent.
      i. Name of tax authority PILOT payment was sent to.
      ii. Check number and amount.
      iii. Check date.
      iv. Reconciliation of amounts sent to tax authorities to the amounts received from Companies to ensure timely remittance.
   d. Total Due to Government and PILOTs Receivable
      i. Schedule should agree to Due to Government and PILOTs Receivable amounts in the General Ledger.

2. When calculating PILOT payments to prepare billing, Management should be comparing the calculation to the PILOT contract on an annual basis to ensure the taxable value and abatement percentages are in accordance with each specific contract, as many of these contracts have variable inputs stipulated in the agreement.
3. In the event of incorrect invoices being sent, close out these invoices using a credit to reduce the receivable to zero and create a new invoice rather than voiding, deleting, or editing bills that had been sent to companies.

Views of Responsible Official(s) and Planned Corrective Actions: The Authority's Finance Committee will create a tracking document that organizes and summarizes each PILOT contract. This document will be created using examples provided to us by the auditors and additional consultation from Dannible and McKee, LLP as appropriate and needed. This document will break down expectations of PILOT transactions to ensure proper oversight of this process is done by the President, Treasurer. The Board President and Treasurer will ensure timely PILOT receivables and payables. This process will include an annual review to verify the correct taxable value and abatement percentages were used in the billing calculation. Any necessary corrections will be documented in the accounting software, and reported to the board for review. Critical to this correction is ensuring the Authority's Board as a whole understands our responsibility for processes used to track and reconcile PILOT payments receivable and PILOT payments payable.

2023-003 Noncompliance Material to the Financial Statements - Failure to Remit Required Payments Timely

Criteria: Chapter 43-A, Title 15, Section 2327 of the New York State Public Authorities Law requires payments in lieu of taxes received by the authority to be paid over to each affected tax jurisdiction within thirty days of receipt.

Condition: For the year ended December 31, 2023, the Authority failed to remit payments due to the Auburn Board of Education, the City of Auburn, and Cayuga County for PILOT payments in the amount of $370,571 within the required 30-day timeframe. As of March 1, 2024, no payments had been remitted to tax authorities for PILOT payments received during 2023.

Context: We reviewed Chapter 43-A, Title 15, Section 2327 of the New York State Public Authorities Law and reviewed PILOT payment cash receipts and disbursements to ensure they were in compliance with the statute. In our assessment, these payments to jurisdictions were not made timely.

Effect or Potential Effect: Per Section 2327(6), payments in lieu of taxes which are delinquent under the agreement or which the Authority fails to remit pursuant to subdivision five of this section shall be subject to a late payment penalty of five percent of the amount due which shall be paid by the agency (because of the Authority's failure to remit pursuant to subdivision five of this section) to the affected tax jurisdiction at the time the payment in lieu of taxes is paid. For each month, or part thereof, that the payment in lieu of taxes is delinquent beyond the first month, interest shall accrue to and be paid to the affected tax jurisdiction on the total amount due plus a late payment penalty in the amount of one percent per month until the payment is made. As such, the $370,571 is subject to a penalty fee as of December 31, 2023, with additional payments subject to penalties in 2024.

Cause: Insufficient training and monitoring of staff led to failure to remit payments timely.

Recommendation: We recommend the Authority consider opening an additional bank account which is dedicated solely to the receipts and payments of PILOT amounts, whereby funds collected and required to be remitted to the tax jurisdictions are segregated from funds used for operations. Further, we recommend the Board review the PILOT cash receipts monthly and ensure payments are made to tax authorities in a timely manner.

Views of Responsible Official(s) and Planned Corrective Actions: The Authority's Board of Directors acknowledges its understanding and responsibility for ensuring all PILOTs received by the Authority are paid to each affected tax jurisdiction within thirty days of receipt. We will take corrective action to address this finding by ensuring all staff responsible for ensuring the Authority is in compliance is properly trained to work in compliance with this requirement. We will ensure moving forward all payments are remitted within the required 30 days. Additionally, the Finance Committee will consider the auditors recommendation to open an additional bank account which is solely dedicated to the receipts and payments of PILOT amounts. We will embed in our PILOT monitoring the monthly review of PILOT cash receipts and utilize our tracking systems to ensure payments are made to tax authorities in a timely manner.

AUBURN INDUSTRIAL DEVELOPMENT AUTHORITY

SUMMARY OF STATUS OF PRIOR AUDIT FINDINGS

I. FINANCIAL STATEMENT AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended December 31, 2022

2022-001 Significant Deficiency in Internal Control over Financial Reporting - Inadequate Reconciliation of Internal Data to the Prior Audited Financial Statements

Condition and Criteria : The reconciliation of accounts in the internal accounting system to the audited financial statements is an important control activity needed to adequately ensure accurate financial reporting. Presently, there is not a formal procedure in place to ensure the internal accounting records are updated to reflect changes recommended during the prior audits of the financial statements. These changes were previously agreed by management in accordance with independence requirements.

Effect or Potential Effect: Without a formal procedure in place to ensure the internal accounting system is reconciled to the audited financial statements, the risk significantly increases that errors stemming from prior years are not corrected on a timely basis.

Recommendation: We recommend the Authority develop a monthly and yearly closing checklist to ensure that all accounts are properly reconciled and adjusted on a timely basis. This includes reviewing the final audited financial statements and reconciling them to the internal accounting records.

Status: There were no similar findings for the year ended December 31, 2023.

2022-002 Significant Deficiency in Internal Control over Financial Reporting - Inadequate Controls Related to Tracking and Reconciling Cash Balances

Condition and Criteria: The proper tracking of cash is necessary for management to determine cash available for operations at a given time. Presently, checks are being written and the internal accounting records are not updated in the accounting system until a later date. In addition, there is currently no mechanism in the internal accounting system which prevents users from making changes to closed periods.

Effect or Potential Effect: Making changes to closed periods in the accounting system without updating the appropriate account reconciliations significantly increases the likelihood of errors and future audit difficulties.

Further, failure to adequately track cash balances may result in insufficient funds fees, misstatement of cash, payable, and receivable balances, and in certain instances, can lead to noncompliance with laws and regulations. See Finding 2022-003.

Recommendation: We recommend management require that deposits in the accounting system are posted to mirror actual activity per the ACH total/bank deposit slip, and checks are posted in the accounting system as of the date the check is written and mailed.

Status: There were similar findings for the year ended December 31, 2023. See 2023-01.

B. NONCOMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Year ended December 31, 2022

2022-003 Noncompliance Material to the Financial Statements - Failure to Remit Required Payments Timely

Condition and Criteria: Chapter 43-A, Title 15, Section 2327 of the New York State Public Authorities Law requires payments in lieu of taxes received by the Authority to be paid to each affected tax jurisdiction within thirty days of receipt. For the year ended December 31, 2022, the Authority failed to remit payments due to the Auburn Board of Education for PILOT payments in the amount of $351,400 within the required 30-day timeframe.

Effect or Potential Effect: Per Section 2327(6), payments in lieu of taxes which are delinquent under the agreement or which the Authority fails to remit pursuant to subdivision five of this section shall be subject to a late payment penalty of five percent of the amount due which shall be paid by the Authority (because of the Authority's failure to remit pursuant to subdivision five of this section) to the affected tax jurisdiction at the time the payment in lieu of taxes is paid. For each month, or part thereof, that the payment in lieu of taxes is delinquent beyond the first month, interest shall accrue to and be paid to the affected tax jurisdiction on the total amount due plus a late payment penalty in the amount of one percent per month until the payment is made. As such, the $351,400 is subject to a penalty fee.

Recommendation: We recommend the Authority consider opening an additional bank account which is dedicated solely to the receipts and payments of PILOT amounts, whereby funds collected and required to be remitted to the tax jurisdictions are segregated from funds used for operations. Further, see finding 2022-02 regarding improving controls related to tracking cash balances.

Status: There were similar findings for the year ended December 31, 2023. See 2023-03.