

NIAGARA COUNTY BROWNFIELD
DEVELOPMENT CORPORATION

Financial Statements

For the year ended September 30, 2011

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

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**NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

As management of the Niagara County Brownfield Development Corporation (the "NCBDC"), we offer readers of the NCBDC's financial statements this narrative overview and analysis of the financial activities of the NCBDC for the year ended September 30, 2011. This document should be read in conjunction with additional information that we have furnished in the NCBDC's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets of the NCBDC exceeded its liabilities by \$596,641 (net assets). Of this amount, \$596,641 is restricted for use within the Niagara County Brownfields Cleanup Revolving Loan Fund as outlined in its cooperative agreements with the United States Environmental Protection Agency.
- The NCBDC's net assets increased by \$509,584. This is the net amount of loans disbursed and principal repayments of loans receivable during the fiscal year ended September 30, 2011. Because NCBDC is reimbursed for eligible loan disbursements and allowable expenses net of any program income (application fees and interest income) and principal repayments on loans receivable, recorded revenue will equal recorded expenses plus the amount of loans disbursed during the year less the amount of principal repayments on outstanding loans receivable. Therefore the change in net assets will be equal to the net change in the amount of loans receivable during the fiscal year.
- During the fiscal year, the NCBDC had total revenues of \$528,245 and total expenses of \$22,922.
- Fund balances on governmental fund balance sheet are presented pursuant to GASB 54.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the NCBDC's basic financial statements. As permitted by GASB Statement No. 34, the NCBDC uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance.

Government-Wide – The government-wide financial information is recorded using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The *statement of net assets* presents information on all of the NCBDC's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the NCBDC is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., accounts payable).

The government-wide statements include the NCBDC's governmental activity. The governmental activity is the operation of the Niagara County Brownfields Cleanup Revolving Loan Fund (BCRLF) program. The Niagara County BCRLF is a cooperative effort between Niagara County and the City of Niagara Falls to help promote revitalization of Brownfield sites throughout the County and City. Through the BCRLF, the NCBDC provides financial assistance in the form of low-interest loans and sub-grants to eligible entities for remediation of Brownfield sites throughout Niagara County. Revitalizing and returning Brownfield sites to productive use creates jobs, contributes to the tax base, and eliminates the potential risk to public health and the environment.

The government-wide financial statements can be found on pages immediately following this section as the last column on the first two pages of the Basic Financial Statements.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific activity of objectives. The NCBDC reports a single major governmental fund which is the primary operating fund.

Governmental Funds - Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The financial statements for governmental fund can be found on pages immediately following this section as the first column on the first two pages of the Basic Financial Statements.

Notes to the Financial Statement - The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found following the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the NCBDC, assets exceeded liabilities by \$596,641 at the close of the 2011 fiscal year. Other than cash, the largest portion of the NCBDC's net assets reflects the outstanding principal due from loan disbursements. At the end of fiscal year 2011, the NCBDC did not own any property or have any long-term liabilities.

Table 1 below is a summary of the NCBDC's net assets as of September 30, 2011 and 2010:

Table 1 - Net Assets

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 615,653	99,774
Capital assets, net of depreciation	-	-
Total Assets	<u>615,653</u>	<u>99,774</u>
Current liabilities	19,012	12,717
Long-term liabilities	-	-
Total Liabilities	<u>19,012</u>	<u>12,717</u>
Net Assets		
Invested in capital assets, net of related debt	-	-
Restricted	596,641	87,057
Unrestricted	-	-
Total Net Assets	<u>\$ 596,641</u>	<u>87,057</u>

Government Activities Table 2, as presented below, shows the key elements to the changes in net assets for the years ended September 30, 2011 and 2010.

Table 2 – Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 1,000	-
Operating grants and contributions	527,245	109,063
General Revenues:		
Interest revenue	4,261	907
Total Revenues	<u>532,506</u>	<u>109,970</u>
Program expenses:		
Subgrants	1,150	90,000
Legal fees	11,338	15,866
Accounting fees	3,500	3,500
Insurance expense	2,400	2,400
Financial management services	4,534	3,969
Total Expenses	<u>22,922</u>	<u>115,735</u>
Increase (decrease) in net assets	509,584	(5,765)
Net assets beginning of year	<u>87,057</u>	<u>92,822</u>
Net assets end of year	<u>\$ 596,641</u>	<u>87,057</u>

When reviewing the above data, the following should be noted:

- Federal grant revenue represents 99% of total revenues for 2011 and 2010.

GOVERNMENTAL FUND ANALYSIS

Since the NCBDC is a special-purpose, single-program government with no adjustments to fund financial statements to arrive at government-wide financial statements, a discussion of the fund financial statements is redundant. The changes discussed in the government-wide analysis above provide adequate explanations for the governmental fund activities for the year.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

During the 2011 fiscal year, Niagara County continued to implement the BCRLF program and achieve established performance measures. Performance measures include awarding funds to new remediation projects and beginning the process of turning vacant properties back to productive use. Of the \$1.9 million in grant funds allocated to the program, \$1.56 million has either been expended or committed as of September 30, 2011.

Funding for four sites was approved in 2011. Each of the sites is discussed in detail below.

Santarosa Project

In December 2008, the NCBDC Board of Directors approved the first BCRLF project, a \$250,000 loan to Santarosa Holdings, Inc. for asbestos abatement at 1501 College Avenue in the City of Niagara Falls. The 13 acre site was previously used for heavy industrial manufacturing. The site has remained vacant since the late 1980's.

During site remediation significant additional contamination was found and Santarosa Holdings, Inc. applied for and received a second \$384,900 loan from the BCRLF to assist with addressing site contamination. All of the buildings on the site have been demolished and more than 4,000 tons of contaminated soil has been removed from the site. Additional site preparations are ongoing to prepare the site for industrial redevelopment.

Santarosa Holdings, Inc. continues to work with end users for the site. 14.1 acres of the 18 acres site are under contract to Falls Metal Recycling for development into a metal recycling and reclamation green facility. The proposed \$13 - \$15 million development will create 45 new jobs. One additional company has an option to purchase the remaining 4 acres of the site. Proposed development of this portion of the site is for green energy production and a potential \$18 million investment with 50 new jobs.

Dussault Foundry Site Project

In May 2010, the NCBDC Board of Directors approved the first project under the American Recovery and Reinvestment Act BCRLF, a \$200,000 grant to the City of Lockport for the remediation of the Dussault Foundry Site, 2 and 10 Washburn Street in the City of Lockport. The 5.6 acre site was previously used from 1912 to 1995 for manufacturing cast iron and ductile steel. The City of Lockport acquired the site through tax foreclosure in August 2010.

Since awarding the sub-grant, the City of Lockport hired an engineer to develop asbestos abatement specifications, wrote a community relations plan, and competitively secured a contractor to perform the asbestos abatement project. Fieldwork began on September 26, 2011. While in the field, the contractor discovered additional contamination that was unknown at the onset of the project. The cost to address the additional contamination was estimated to be \$150,000.

In an effort to ensure that this long vacant brownfield site turns into a redevelopment success story, the NCBDC Board of Directors approved a sub-grant increase of \$150,000 to remediate the additional contamination. It is expected that the site will be fully remediated by the end of 2011 and will be marketed for development in 2012.

In addition to traditional site marketing, redevelopment planning at this strategic site has taken place. A conceptual reuse plan was developed for the City and includes mixed-use redevelopment including some residential and small scale commercial. Public open space is incorporated into the design.

Lockport Air Force Base, Town of Cambria

In May 2011,, the NCBDC Board of Directors approved two grants totaling \$400,000 through the American Recovery and Reinvestment Act BCRLF to the Town of Cambria Housing Authority for remediation at two parcels that were formerly part of the Lockport Air Force Base in the Town of Cambria.

The two parcels (Parcel #1 and #6) total 12.8 acres and were used by the United States government as a military command center from 1942 to 1974. The site was left to the Town of Cambria in the early 1980's.

Grant funding is being used to conduct asbestos abatement. Engineering work is underway and actual remediation is anticipated to begin in the spring of 2012.

Kohl Cycle Site, City of Lockport

In May 2011, the NCBDC Board of Directors approved a \$200,000 grant for remediation at the Kohl Cycle Site, 71 Gooding Street in the City of Lockport. The 0.74 acre site was used for industrial purposes for over 100 years. The City of Lockport acquired the site through tax foreclosure in 2008.

The City of Lockport is working with the New York State Office of Parks, Recreation, and Historical Preservation to address potential historic preservation issues with the site building. Upon resolution of these issues, it is anticipated that a grant agreement for the project will be expected between NCBDC and the City of Lockport.

FACTORS EXPECTED TO IMPACT FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS

Management believes the NCBDC is in good condition financially. Funding is available to cover existing project reimbursements as well as the development of future projects.

CONTACTING FINANCIAL MANAGEMENT

This financial report is designed to provide our stakeholders with a general overview of the NCBDC's finances and to show the accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Amy Fisk, President at 6311 Inducon Corporate Drive, Sanborn, New York 14132.

BROWN & COMPANY, LLP

To the Board of Directors
Niagara County Brownfield Development Corporation
Sanborn, New York

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of Niagara County Brownfield Development Corporation (NCBDC), which collectively comprise the NCBDC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the NCBDC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Niagara County Brownfield Development Corporation as of September 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2012 on our consideration of Niagara County Brownfield Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 4 be presented to supplement the basic financial statements. Such information, although not 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 principally 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.

Brown & Company, LLP
Niagara Falls, New York
February 3, 2012

(6)

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Statement of Net Assets and
Governmental Fund Balance Sheet
September 30, 2011

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<u>ASSETS</u>			
Cash	\$ 15,048	-	15,048
Due from other governments	3,964	-	3,964
Notes receivable	<u>596,641</u>	<u>-</u>	<u>596,641</u>
Total assets	<u><u>615,653</u></u>	<u><u>-</u></u>	<u><u>615,653</u></u>
<u>LIABILITIES</u>			
Accounts payable	1,743	-	1,743
Advances from other governments	<u>17,269</u>	<u>-</u>	<u>17,269</u>
Total liabilities	<u>19,012</u>	<u>-</u>	<u>19,012</u>
<u>FUND BALANCES/NET ASSETS</u>			
Fund balances:			
Restricted for Brownfield RLF	<u>596,641</u>	<u>(596,641)</u>	<u>-</u>
Total liabilities and fund balances	<u><u>\$ 615,653</u></u>		
Net assets:			
Restricted for Brownfield RLF		<u><u>596,641</u></u>	<u><u>596,641</u></u>

See notes to financial statements.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended September 30, 2011

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Expenditures/expenses:			
Programatic expenses	\$ 22,922	-	22,922
Program revenues:			
Operating grants	527,245	-	527,245
Application fees	1,000	-	-
Total program revenue	<u>528,245</u>	<u>-</u>	<u>527,245</u>
Net program revenue (expense)			504,323
General revenues:			
Interest revenue	<u>4,261</u>	<u>-</u>	<u>4,261</u>
Excess of revenue over expenses	509,584	(509,584)	-
Change in net assets	-	509,584	509,584
Fund balance/net assets:			
Beginning of the year	<u>87,057</u>	<u>-</u>	<u>87,057</u>
End of the year	<u>\$ 596,641</u>	<u>-</u>	<u>596,641</u>

See notes to financial statements.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Notes to the Financial Statements

September 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Niagara County Brownfield Development Corporation (NCBDC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) Reporting Entity

In evaluating how to define the entity for financial reporting purposes, management considered whether the NCBDC is a component unit of another primary government and all potential component units. The NCBDC's basic financial statements include the financial position and results of operations of the NCBDC. A review of other units of local government, using the criteria set forth in generally accepted accounting principles, indicates that there are no additional entities or funds for which the NCBDC has reporting responsibilities. Management has determined that the NCBDC should not be considered a part of any unit of local government for reporting purposes for the following reasons:

1. The Niagara County Brownfield Development Corporation has separate legal standing from all other units of government.
2. No primary government appoints the voting majority of the NCBDC's Board of Directors. NCBDC's Board consists of three individuals holding the following positions: (a) Chairman of the Board of Legislators, Niagara County, (b) Executive Director, Niagara County Industrial Development Agency, and (c) Mayor, City of Niagara Falls.
3. The NCBDC is fiscally independent of all other units of government. The NCBDC conducts its business in its own name and all material transactions between the NCBDC and the County of Niagara and the City of Niagara Falls are on an arm's-length basis.
4. The financial statements of other units of local government would not be misleading or incomplete without the inclusion of the NCBDC's financial statements.

(b) Organization and Economic Dependence

The Niagara County Brownfield Development Corporation is a not-for-profit public benefit corporation formed in October 2008 by the Niagara County Legislature. The NCBDC was created to establish and operate the Niagara County Brownfields Cleanup Revolving Loan Fund (BCRLF) program. The Niagara County BCRLF is a cooperative effort between Niagara County and the City of Niagara Falls to help promote revitalization of Brownfield sites throughout the County and City. Through the BCRLF, the NCBDC provides financial assistance in the form of low-interest loans and sub-grants to eligible entities for remediation of Brownfield sites throughout Niagara County. Revitalizing and returning Brownfield sites to productive use creates jobs, contributes to the tax base, and eliminates the potential risk to public health and the environment.

The Organization is totally dependent on funding from the United States Environmental Protection Agency.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Notes to the Financial Statements

September 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(c) Government-wide and Fund Financial Statements

As permitted by GASB Statement No. 34, the NCBDC uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance.

(d) Fund Balance Reporting and Governmental Fund Type Definitions

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which was implemented for fiscal year ended September 30, 2011. Statement 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. It distinguishes fund balance between amounts that are considered *nonspendable*, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications such as restricted, committed, assigned, and unassigned. The new standards also clarify the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or "rainy-day" amounts should be reported. The NCBDC's fund balance is classified entirely as restricted.

(e) Measurement Focus and Basis of Accounting

Measurement focus is the determination of what is expressed in reporting an entity's financial performance and position (i.e., expenditures or expenses). A particular measurement focus is accomplished both by considering what resources will be measured and the basis of accounting.

Basis of accounting refers to when revenues, expenditures/expenses, and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured.

Government-wide – The government-wide financial information is recorded using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund – Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Notes to the Financial Statements

September 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(e) Measurement Focus and Basis of Accounting, Continued

Revenues from federal grants related to the brownfield cleanup revolving loan fund program are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at year-end is recorded as deferred revenue or due from other governments, respectively.

The NCBDC reports a single major governmental fund, which is the primary operating fund. It accounts for all of the financial resources of the NCBDC, except those required to reported in another fund, if any.

(f) Budget

The NCBDC is not legally required to adopt a budget for its governmental fund. A budget report was adopted and provided for informational purposes only.

(g) Income Taxes

The NCBDC is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Income that is not related to tax exempt purposes, less applicable deduction, is subject to federal and state corporate taxes. The NCBDC did not have any unrelated business income for the year ended September 30, 2011.

(h) Cash and Investments

The NCBDC's investment policies were adopted as required by Section 2925 of the New York State Public Authorities Law and are governed by state statutes. Permissible investments include obligations of the U.S. Treasury and U.S Agencies, certificates of deposit, and obligations of New York State. The NCBDC did not hold any investments at September 30, 2011.

The NCBDC cash consists of demand deposits at a local financial institution. Collateral is required for demand deposits and certificates of deposit at 100% of the amount of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities. At September 30, 2011, the NCBDC's cash balances were fully covered by federal deposit insurance.

All deposits are carried at cost plus accrued interest and are in one financial institution.

	<u>Bank Balance</u>	<u>Book Amount</u>
Insurance (FDIC)	\$ <u>15,843</u>	\$ <u>15,048</u>

(i) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Notes to the Financial Statements

September 30, 2011

(2) DUE FROM OTHER GOVERNMENTS

Amounts reported as due from other governments represent federal grant receivables from the Brownfield Transition RLF project. The grants receivable are stated at the amount management expects to collect from outstanding grant awards. Based on management's judgment, an allowance for uncollectible grants is not deemed necessary.

(3) NOTES RECEIVABLE

NCBDC has entered into an agreement to advance funds to a local business in the amounts of \$250,000 and \$384,900. The initial draw of \$92,822 is payable over five years with interest calculated at 3% per annum beginning June 15, 2010 yielding monthly payments of \$1,668 due on the first day of each month until paid. As of September 30, 2011, \$69,413 of the principal of the initial draw was outstanding. Of this balance, \$18,181 is scheduled to be collected within one year. Based on management's judgment, an allowance for uncollectible notes receivable is not deemed necessary. The remaining loan amount of \$157,178 was disbursed in January 2011 with remaining balance at year end of \$142,328 of which \$36,404 is due within one year. All funds drawn down after December 1, 2010 shall be payable at an interest rate of 3% per annum with a fifty (50) month amortization. The \$384,900 loan commitment dated April 13, 2011 is a five year note with a 54 month amortization period (six month payment free period) commencing October 13, 2011 with monthly payments of \$7,629 inclusive of interest at 3% per annum. Outstanding balance is \$384,900 with \$81,106 scheduled to be repaid within one year.

(4) ADVANCES FROM OTHER GOVERNMENTS

The amount reported as advances from other governments represents interest-free short-term advances from United States Environmental Protection Agency (EPA) and/or Niagara County to cover program expenses until reimbursement is received from the (EPA). At September 30, 2011 a total of \$17,269 was advanced of which \$12,647 was from EPA and \$4,622 was from the County and ARRA funds.

(5) GRANT ACTIVITY

Funding for the NCBDC is provided through federal grants from the United States Environmental Protection Agency passed through from Niagara County. Funds are drawn from these grants for the grant eligible expenses as they occur after first applying available unrestricted resources (application fee and interest income). Federal grants accounted for 99% of NCBDC's total income for the year ended September 30, 2011.

(6) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

GASB No. 34 requires governments to present a reconciliation that shows how the amounts reported in the fund statements are modified to determine government-wide amount for governmental activities. The adjustments column on the financial statements reconciles the amounts reported in the governmental funds to show how each would change when reported on the accrual basis of accounting.

There were no reconciling items to be reported for the year ended September 30, 2011.

(7) RISK OF LOSS

The NCBDC is exposed to various risks of loss related to torts, theft of assets, errors and omissions, natural disasters, etc. The NCBDC maintains officers' and directors' liability insurance to help mitigate the risk of any potential loss, and management has determined that the insurance coverage is sufficient to cover any future losses.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Notes to the Financial Statements

September 30, 2011

(8) FAIR VALUE OF FINANCIAL INSTRUMENTS

The NCBDC's financial instruments are cash, due from other governments, notes receivable, accounts payable, and advances from other governments. The recorded value of cash, due from other governments, accounts payable, and advances for other governments approximate their fair value based on their short-term nature.

The recorded value of the NCBDC's notes receivable reflects cost which management believes approximates fair value.

(9) COMMITMENTS AND CONTINGENCIES

The following information relates to supplemental information schedule on page 21:

In August 2010, the NCBDC entered into a grant agreement with the City of Lockport for asbestos abatement at the Dussault Foundry site. The agreement awards Recovery Act funds in the amount of \$200,000. The grant period is from August 18, 2010 until the completion of the asbestos abatement; total funds disbursed during 2011 was \$1,150.

In April 2011, the NCBDC Board of Directors approved a revolving loan fund project of \$384,900 for remediation of 1501 College Avenue; all funds disbursed during fiscal year 2011.

In August 2011, NCBDC issued two subgrants for Lockport Air Force Base Parcels #1 and #2 for asbestos abatement totaling \$400,000. No funds were disbursed for these projects during 2011.

The Kohl Cycle Site asbestos abatement sub grant is pending due to federal requirements to ensure no historic preservation issues exist with the project. As such, the agreement has not been executed nor has a date of issuance been assigned and funds cannot be incurred until after execution of the agreement..

(10) SUBSEQUENT EVENTS

In November 2011, NCBDC authorized a \$150,000 increase in the subgrant from the ARRA BCRLF to the City of Lockport due to additional contamination at the Dussault Foundry site to fully remediate the site.

In December 2011, NCBDC approved a subgrant to the City of Niagara Falls; no formal agreement has been executed as grant documents are not complete.

Management has evaluated subsequent events through February 3, 2012, the date the financial statements were available to be issued.

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Niagara County Brownfield Development Corporation
Sanborn, New York

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

We have audited the financial statements of the governmental activities and major fund of Niagara County Brownfield Development Corporation (the "NCBDC"), as of and for the year ended September 30, 2011, which collectively comprise the NCBDC's basic financial statements and have issued our report thereon dated February 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

Brown & Company, LLP

Niagara Falls, New York
February 3, 2012

The Board of Directors
Niagara County Brownfield Development Corporation
Niagara Falls, New York

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR I-133

Compliance

We have audited the compliance of Niagara County Brownfield Development Corporation (NCBDC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2011. Niagara County Brownfield Development Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Niagara County Brownfield Development Corporation's management. Our responsibility is to express an opinion on Niagara County Brownfield Development Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NCBDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of NCBDC's, Inc.'s compliance with those requirements.

In our opinion, Niagara County Brownfield Development Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

The management of Niagara County Brownfield Development Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Niagara County Brownfield Development Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Niagara County Brownfield Development Corporation's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brown + Company, LLP

Niagara Falls, New York
February 3, 2012

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Schedule of Expenditures of Federal Awards

For the year ended September 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Environmental Protection Agency</u>			
<u>Pass-Through Programs</u>			
Pass-through from Niagara County, New York			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	\$ 622,170
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	<u>\$ 6,982</u>
Total U.S. Environmental Protection Agency Pass-Through Programs			<u>629,152</u>
Total Federal Awards Expenditures			<u><u>\$ 629,152</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Notes to the Schedule of Expenditures of Federal Awards

September 30, 2011

Note 1 Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of NCBDC and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs

September 30, 2011

Summary of Auditor's Results:

1. The auditor's report expresses an unqualified opinion on the financial statements of Niagara County Brownfield Development Corporation.
2. No instances of noncompliance material to the financial statements of the Niagara County Brownfield Development Corporation which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
3. No significant deficiencies 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.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal awards programs for Niagara County Brownfield Development Corporation expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Niagara County Brownfield Development Corporation that are required to be reported in accordance with OMB Circular A-133.
7. The programs tested as major programs included:

Brownfields Assessment and Cleanup Cooperative Agreements	CFDA #66.818
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8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Niagara County Brownfield Development Corporation did not qualify as a low-risk auditee as this was first year of single audit.

Findings – Financial Statement Audit

None.

Findings and Questioned Costs – Major Federal Awards Programs Audit

None.

Summary Schedule of Prior Audit Findings

None.

BROWN & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Niagara County Brownfield Development Corporation
Sanborn, New York

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Our report on our audit of the basic financial statements of Niagara County Brownfield Development Corporation for the year ended September 30, 2011 appears on page 6. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedule of Projects on page 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, such information is fairly stated in all material respects to the basic financial statements taken as a whole.

Brown & Company, LLP

Niagara Falls, New York
February 3, 2012

(20)

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Schedule of Active Projects

For the Year ended September 30, 2011

Project Name	Type of Project	Funding Amount	Date of Issuance	Interest Rate	Term	Amount Disbursed	Remaining Balance	Repayment Type	Principal Repaid	Balance Due
Santarosa Project 1501 College Avenue Asbestos abatement Niagara Falls, New York	Loan	\$ 250,000	06/04/09	3.00%	*	250,000	-	Monthly	38,259	211,741
Dussault Foundry Site Project 2 and 10 Washburn Street Asbestos abatement Lockport, New York	Subgrant	350,000	08/27/10	n/a	n/a	1,150	348,850	n/a	n/a	n/a
Santarosa Project 1501 College Avenue Remediate site contamination Niagara Falls, New York	Loan	\$ 384,900	04/13/11	3.00%	5 years	384,900	-	Monthly	-	384,900
Lockport Air Force Base Parcel #1 Asbestos abatement Cambria, New York	Subgrant	200,000	08/22/11	n/a	n/a	-	200,000	n/a	n/a	n/a
Lockport Air Force Base Parcel #6 Asbestos abatement Cambria, New York	Subgrant	200,000	08/22/11	n/a	n/a	-	200,000	n/a	n/a	n/a
Kohl Cycle Site 71 Gooding Street Asbestos abatement Lockport, New York	Subgrant	200,000	Pending	n/a	n/a	-	200,000	n/a	n/a	n/a
		<u>\$ 1,584,900</u>				<u>636,050</u>	<u>948,850</u>		<u>38,259</u>	<u>596,641</u>

* The initial draw down is payable over a 5 year term. All funds drawn down on the loan after December 1, 2010 shall be payable at an interest rate of 3% per annum with a 50 month amortization.

See accompanying notes and auditor's report on supplementary information.