NIAGARA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2012

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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December 31, 2012

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

An Independent Member of the BDO Seidman Alliance

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara County Industrial Development Agency

We have audited the accompanying financial statements of Niagara County Industrial Development Agency (the Agency), a business-type activity, and its discretely presented component unit, which comprise the balance sheets as of December 31, 2012, and the related statements of revenues, expenses, and changes in net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 from material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards.*

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency and its discretely presented component unit as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note 2 to the financial statements, the Agency adopted GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities* in 2012.

Management's Discussion and Analysis
Accounting principles generally accepted in the United States of America require that management's discussion and analysis preceding the financial statements be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 14, 2013 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Agency's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

March 14, 2013

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY ("NCIDA") AND ITS COMPONENT UNITS NIAGARA COUNTY DEVELOPMENT CORPORATION ("NCDC") AND NIAGARA AREA DEVELOPMENT CORPORATION ("NADC") (UNAUDITED)

HISTORY OF NCIDA

Niagara County Industrial Development Agency (NCIDA) is a not-for-profit public benefit corporation established in 1972 by the County Legislature. Under the provisions of the New York Industrial Development Agency Act, NCIDA is empowered to actively attract and develop economically sound commerce and industry, thereby fostering job opportunities, general prosperity, and economic welfare for all residents of Niagara County.

At the time of its creation, the primary economic development tool of NCIDA was the Industrial Revenue Bond. In 1985, the first grant was obtained from the U.S. Department of Housing and Urban Development (HUD) to establish a Revolving Loan Fund. The Loan Fund grew as additional grants from the U.S. Economic Development Administration and other sources helped to further capitalize it in ensuing years.

In 1995, Niagara County received a grant from HUD to establish the Niagara County Microenterprise Assistance Program. This program added a new dimension to NCIDA's ability to assist "Micro" businesses with five (5) employees or less, especially those wishing to establish a new business. As Grant Administrator, NCIDA is now able to assist not only the traditional business engaged in manufacturing and processing, but also those retail, service and agri-business companies that are in need of entrepreneurial training and small business loans.

NCIDA utilizes its resources to plan, implement and support economic development within Niagara County by promoting the stability and growth of the County's present business base, supporting the retention and creation of jobs, establishing regional and international collaborations and attracting capital investment and new business ventures.

Niagara County Development Corporation (NCDC) was organized March 27, 1984 under Section 402 of the Not-for-Profit Corporation Law of the State of New York as a local development corporation to promote economic growth and business prosperity in the County of Niagara, New York. NCDC's function is to make loans at favorable interest rates to businesses that are located in Niagara County, thus encouraging startup of new businesses and relocation and expansion of existing businesses within the County.

NCDC had not engaged in financial activities from the date of its incorporation, March 27, 1984, until November 21, 1991, when certain assets were transferred to it by NCIDA. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statements No. 39 and 61, NCDC is considered a component unit of NCIDA. In addition, NCDC is considered as part of NCIDA for the Single Audit Act Amendments of 1996. NCDC also has separate audited financial statements for the year ended December 31, 2012 that express an unmodified opinion.

NCDC received an exemption from income tax from the U.S. Department of the Treasury, Internal Revenue Service, under the provisions of IRC Section 501(c) (4), Social Welfare Organizations.

Attached, as **Exhibit I,** is a chart of NCIDA's corporate structure.

NCIDA AND ITS COMPONENT UNITS NCDC AND NADC

In October of 2003, NCIDA merged, on an operational basis, not fiscal, with the Niagara County Economic Development Department in an effort to create a more effective "one stop shop" for economic development in the County. The Niagara County Economic Development Department and NCIDA named its combined entity the Niagara County Center for Economic Development.

Niagara Area Development Corporation (NADC), a local development corporation, was organized on September 12, 2011 to undertake and promote economic development initiatives in the Niagara County, New York area. The Legislature appointed the NCIDA Board as the NADC Board and there was a Management and Administrative Fee Agreement entered into between the County of Niagara and NCIDA. The first project was the refinancing of the Niagara Falls Memorial Medical Center's tax exempt bonds in 2011 and the Niagara University and Covanta Holding Corp. projects in 2012; see **Exhibit II** for further detail.

NADC is empowered to issue industrial revenue bonds for the benefit of not-for-profits. The bonds are not obligations of NADC, NCIDA, nor New York State. Neither NADC nor NCIDA record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange financing between the borrowing companies and the bond holders. Funds arising from these agreements are controlled by trustees or banks acting as fiscal agents. For providing this service, NADC receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds.

In accordance with GASB Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statements No. 39 and 61, NADC is considered a blended component unit of NCIDA. Please see Exhibit I for NCIDA's Corporate Structure.

NADC has entered into an administrative agreement with NCIDA which requires that all fees generated by NADC be remitted to NCIDA. Fees for the year ended December 31, 2012 totaled $999,025, an increase of $927,475 from the prior year amount of $71,550.

As management of NCIDA and its component unit, NCDC, we offer the readers of NCIDA's financial statements this narrative overview and analysis of the financial activities of NCIDA for the year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with NCIDA's audited financial statements.

NCIDA's annual revenue sources *do not* rely on funding from any local, county, or state taxing jurisdictions. NCIDA is a *self-sustaining* entity.

FINANCIAL ANALYSIS OF NCIDA

Overview of the Financial Statements

The financial statements in this annual report are those of a special-purpose government and its component units. The following statements are included:

- Balance Sheets - reports NCIDA's current and long term financial resources with capital assets and long-term debt obligations.

- Statements of Revenues, Expenses, and Changes in Net Position - reports NCIDA's operating and non-operating revenues, by major source along with operating and nonoperating expenses.
- Statement of Cash Flows - reports NCIDA's cash flows from operating, investing, and financing activities.

2012 Financial Highlights

- Cash decreased $226,865 (-5%) to $4,171,821 as a result of planned debt reduction of the remaining construction loan related to the second Multi-Tenant Incubator Facility.
- Current liabilities decreased $544,408 (-69%) to $243,344 and noncurrent liabilities decreased $448,617 (-64%) to $247,280 also as a result of the aforementioned debt reduction.
- Total net position increased $596,353 (6%) to $10,256,233 due to increased administrative fees and other income.
- Operating revenues increased $776,477 (49%) to $2,345,751 as a result of administrative fees and HUD grants to further expand revolving loan fund accounts fees.
- Operating expenses increased $316,488 (24%) to $1,874,739 due to an increase in the provision for uncollectible loans of $167,759 for a deferred loan agreement. Also, employee benefits increased due to annual increases in the required contributions to the New York State Employees' Retirement System (ERS) and a one-time accrual required to recognize additional amounts owed ERS.
- Nonoperating revenues (expenses) increased $80,443 (133%) to $140,858 primarily as a result of receiving $102,175 from an affiliate.

Financial Analysis of NCIDA

Net Position – The following table summarizes NCIDA's financial position at December 31, 2012, 2011, and 2010 and the percentage changes between December 31, 2012, 2011 and 2010:

	2012	2011 (As restated)	2010 (As restated)	% Change 2012-2011	% Change 2011-2010
Current assets	**$ 4,594,398**	$ 5,008,558	$ 5,515,076	-8%	-9%
Noncurrent assets	**6,152,459**	6,305,593	6,325,056	-2%	0%
Total assets	**$ 10,746,857**	$ 11,314,151	$ 11,840,132	-5%	-4%
Current liabilities	**$ 243,344**	$ 787,752	$ 632,784	-69%	24%
Noncurrent liabilities	**247,280**	695,897	1,431,580	-64%	-51%
Total liabilities	**490,624**	1,483,649	2,064,364	-67%	-28%
Deferred inflow	**-**	170,622	151,168	-100%	13%
Total net position	**$ 10,256,233**	$ 9,659,880	$ 9,624,600	6%	0%

- In 2012 and 2011, total assets decreased by 5% and 4% respectively, primarily as a result of a two year debt reduction plan.

- Noncurrent assets in 2012 and 2011 decreased slightly as a result of depreciation of property and equipment.

- In 2012 and 2011, current assets decreased by 8% and 9% respectively as a result of cash used for the aforementioned debt reduction.

- In 2012, total liabilities decreased substantially by 67% also due to the debt reduction.

The following table summarizes NCIDA's changes in net position for the years ended December 31, 2012, 2011, and 2010 and the percentage of change between each year:

	2012	2011 (As restated)	2010 (As restated)	% Change 2012-2011	% Change 2011-2010
Operating revenues:					
Admin fees, program, rental income	**$ 1,758,490**	$1,485,128	$1,282,745	**18%**	16%
Other income	**587,261**	84,146	245,388	**598%**	-66%
Total operating revenues	**2,345,751**	1,569,274	1,528,133	**49%**	3%
Operating expenses:					
Salaries, benefits, contractual, occupancy	**1,402,463**	1,127,199	1,158,659	**24%**	-3%
Depreciation, amort, interest, miscellaneous	**472,276**	431,052	443,060	**10%**	-3%
Total operating expenses	**1,874,739**	1,558,251	1,601,719	**20%**	-3%
Operating income	**471,012**	11,023	(73,586)	**4173%**	-115%
Nonoperating revenues (expenses):					
Grants from state and local governments	**846,006**	551,205	51,978	**53%**	960%
Affiliate organization income	**102,175**	33,500	33,500	**205%**	0%
Grant to subrecipients	**(812,721)**	(511,279)	-	**59%**	0%
Asset sale, investment gain (loss)	**5,398**	(13,011)	6,332	**-141%**	-305%
NYS administration fee reversal	**-**	-	164,500	**0%**	-100%
Total nonoperating revenues (expenses)	**140,858**	60,415	256,310	**133%**	-76%
Transfers to NFTA	**(15,517)**	(36,158)	(57,014)	**-57%**	-37%
Change in net position	**596,353**	35,280	125,710	**1590%**	-72%
Beginning net position - as restated	**9,659,880**	9,624,600	9,498,890	**0%**	1%
Ending net position	**$ 10,256,233**	$9,659,880	$9,624,600	**6%**	0%

- In 2012, revenues relating to administrative fees, program, and rental income increased by $273,362 (18%) primarily due to an increase in administrative fees collected. Administrative fees are typically a fixed percentage of the total project value as further discussed on page 5 and Exhibit II.

- In 2012, other operating income increased by $503,115 (598%) due to the receipt of pass-through grant activity from federal and state governments which also substantially increased total operating income by 4173%. Grant revenue of $400,000 was disbursed as two loans in 2012. Because one of the loans, totaling $200,000, will be forgiven and considered a grant if the first loan is paid off, the provision for uncollectible loans was also increased by $200,000; this results in a net impact of zero to net position.

- In 2011, revenues relating to administrative fees and program income increased by $202,383 (16%). In 2010, 16 projects were closed at an average of $6,000,000 per project as compared to 12 in 2011 which averaged $36,000,000 per project.

- 2012 ending net position increased by 6% as a result of increases in both operating and nonoperating income.

A REVIEW OF IRB PROJECTS AND LOAN PORTFOLIO TRANSACTIONS

NCIDA's and NADC's Industrial Revenue Bond (IRB) Programs closed nine projects for 2012 inclusive of other projects outstanding from prior periods representing $240,570,500 in new capital investments in Niagara County as compared to thirteen projects in the prior period representing $445,640,030 in capital investments. There has been an increase in projects over the last two years as a result of the domestic and global economic recovery. Please see **Exhibit II** for detail of the 2012 projects.

NCDC has six Revolving Loan Funds (RLFs) and the Niagara Economic Development Fund (NEDF) loan portfolio, which it administers for the fund trustee, NCIDA. Separate revolving loan fund accounts were established to segregate the initial funding source. Four of the accounts were established through federal grants from the Economic Development Administration and the Department of Housing and Urban Development.

NEDF was organized in July 1990 under Sections 1001 and 1005 of the Power Authority Act as a local development loan program in order to improve the area's economic climate. NEDF is organized as a business trust with an independent Board of Directors whose membership consists of representatives of the Empire State Development Corporation (ESDC), the Power Authority of the State of New York (NYPA), the City of Niagara Falls, and NCIDA.

For 2012, NCDC's revolving loan activities, inclusive of NEDF, was a total of six new loans and grants in the amount of $922,000, an increase from 2011 of $425,000 representing four new loans. The average loan / grant amount was $154,000 up from the prior fiscal year of $83,000 due to a slow regional economic recovery, as well as increasing access to (loan) capital funding.

Industrial Revenue Bonds and Notes issued by NCIDA are secured by property that is leased to companies and is retired by lease payments. The Bonds and Notes are not obligations of NCIDA or the State. NCIDA does not record the assets or liabilities resulting from completed Bond and Note issues in its accounts since its primary function is to arrange financing between the borrowing companies and the Bond and Note holders. Funds arising from there are controlled by trustees or banks acting as fiscal agents. For providing this service, NCIDA receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of Bonds and Notes.

Exhibit II, attached, provides supplemental detail to the aforementioned activities.

CAPITAL ASSETS AND LONG-TERM DEBT

MULTI-TENANT FACILITIES

From 1992 through 1994, NCIDA constructed a multi-tenant facility in the Foreign Trade Zone in the Town of Wheatfield near the airport. Funding for the construction of the facility consisted of the following:

Federal Assistance Award, U.S. Department of Commerce	$1,100,000
NYS Job Development Authority Realty loan (NYJDA)	700,000
Niagara Economic Development Fund loan	250,000
Niagara County Industrial Development Agency cash contribution	150,000
	$2,200,000

In December 1997, NCIDA received loans of $700,000 and $250,000 from the NYJDA and NEDF. The land, buildings, and improvements of the Multi-Tenant Facility located at 2055 Niagara Falls Boulevard, Town of Wheatfield, New York secure the loans. The mortgage notes payable are fifteen (15) year notes. The interest rate on the $700,000 note is 9.4%. The rate of interest on the $250,000 note is 5.5%.

During 2000 - 2001, NCIDA constructed a second (2^{nd}) Multi-Tenant/Incubator Facility in Vantage International Pointe in the Town of Wheatfield. Funding for the construction of the Facility consisted of the following:

Federal Assistance Award, U.S. Department of Commerce	$1,000,000
NYS Job Development Authority Realty loan	950,000
Commercial loan	950,000
Niagara County Industrial Development Agency cash contribution	500,000
Federal Assistance Award, U.S. Department of Housing & Urban Development through Niagara County	400,000
Other internal resources	235,060
Niagara County, in-kind land contribution	109,688
	$4,144,748

The building was placed in service as of December 31, 2001, although certain areas were temporarily occupied previous to that date. Please see the notes to the financial statements for further detail.

LOAN PAYABLE, NIAGARA COUNTY DEVELOPMENT CORPORATION

During 1993, NCDC loaned NCIDA $165,000 to complete construction of NCIDA's office space within the Niagara Industrial Suites (NIS) Multi-Tenant Facility.

In 1996, NCDC loaned NCIDA $145,000 for capital requirements of the NIS Multi-Tenant Facility. Interest on this loan is calculated at the investment return experienced by the IDA Revolving Loan Fund. During prior years, accrued interest was added to the loan balance, but remained unpaid. Also in 1996, NCDC loaned NCIDA $6,900 to be used to fund a storage room for the Resource Center.

NCIDA AND ITS COMPONENT UNITS NCDC AND NADC

On December 31, 2001, NCIDA and NCDC formalized the borrowing arrangement through a fifteen (15) year promissory note. The promissory note bears an interest rate of 5%, with principal and interest payments of $2,533 monthly. At the end of fifteen (15) years, a balloon payment of $95,821 is due and payable, or a mutually acceptable renewal option may be negotiated ninety (90) days prior to the final payment.

During 2003, NCIDA borrowed $150,000 from NCDC to complete a build-out in the Vantage Center for a tenant-occupied space. The loan was to be interest free during the construction period. At the end of the construction period, the note bears an interest rate of 5% and is to be repaid in forty (40) quarterly payments.

LOAN PAYABLE, STATE DEPARTMENT OF TRANSPORTATION

In 2011, NCIDA entered into an agreement with the State Department of Transportation and a third party as part of the State Industrial Access Program. This award consisted of a grant portion and a loan portion. The loan of $186,000, to be paid back over five years, is non-interest bearing. NCIDA serves as a pass-through entity, collecting amounts owed from the third party and submitting them to the State. Amounts outstanding under this loan and receivable from the third party total $167,400 as of December 31, 2012 which is further detailed in Note 3 of NCIDA's financial statements.

FUTURE EVENTS AND OTHER CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

NCIDA's real estate development objective for 2013 is the sale of the remaining 56 acres in Vantage International Pointe Park. NCIDA is marketing the remaining acreage through a realtor and as part of the Canadian Marketing Program.

In addition to promoting properties owned/controlled by NCIDA, industrial park sites in the Cities of Lockport, Niagara Falls, and North Tonawanda, as well as the Town of Niagara and Town of Lockport Industrial Parks, and many other sites throughout Niagara County will be advertised and marketed by NCIDA.

These activities are intended to stimulate new construction, increase the local tax base, create employment opportunities for area residents, and generate new project fees to NCIDA.

For the past several years, the Niagara County Center for Economic Development has been building a marketing and development campaign with particular emphasis on attracting Canadian companies to establish branch operations in Niagara County. At the end of December 2010 NCIDA's Assistant Director retired resulting in a staff re-alignment of the Marketing and Project Manager to the Director of Project Development and addition of a Director of Marketing resulting in a full time effort for project development of revenue producing activities.

Target industries included computer and electronic products manufacturing; electrical equipment, appliances and component manufacturing; food and beverage manufacturing and processing; warehouse/distribution; and logistics and defense related industries. These sectors were chosen to complement and not duplicate the efforts of the Buffalo Niagara Enterprise, whose main Canadian target sectors include life sciences, medical devices and pharmaceuticals.

Sincerely,

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

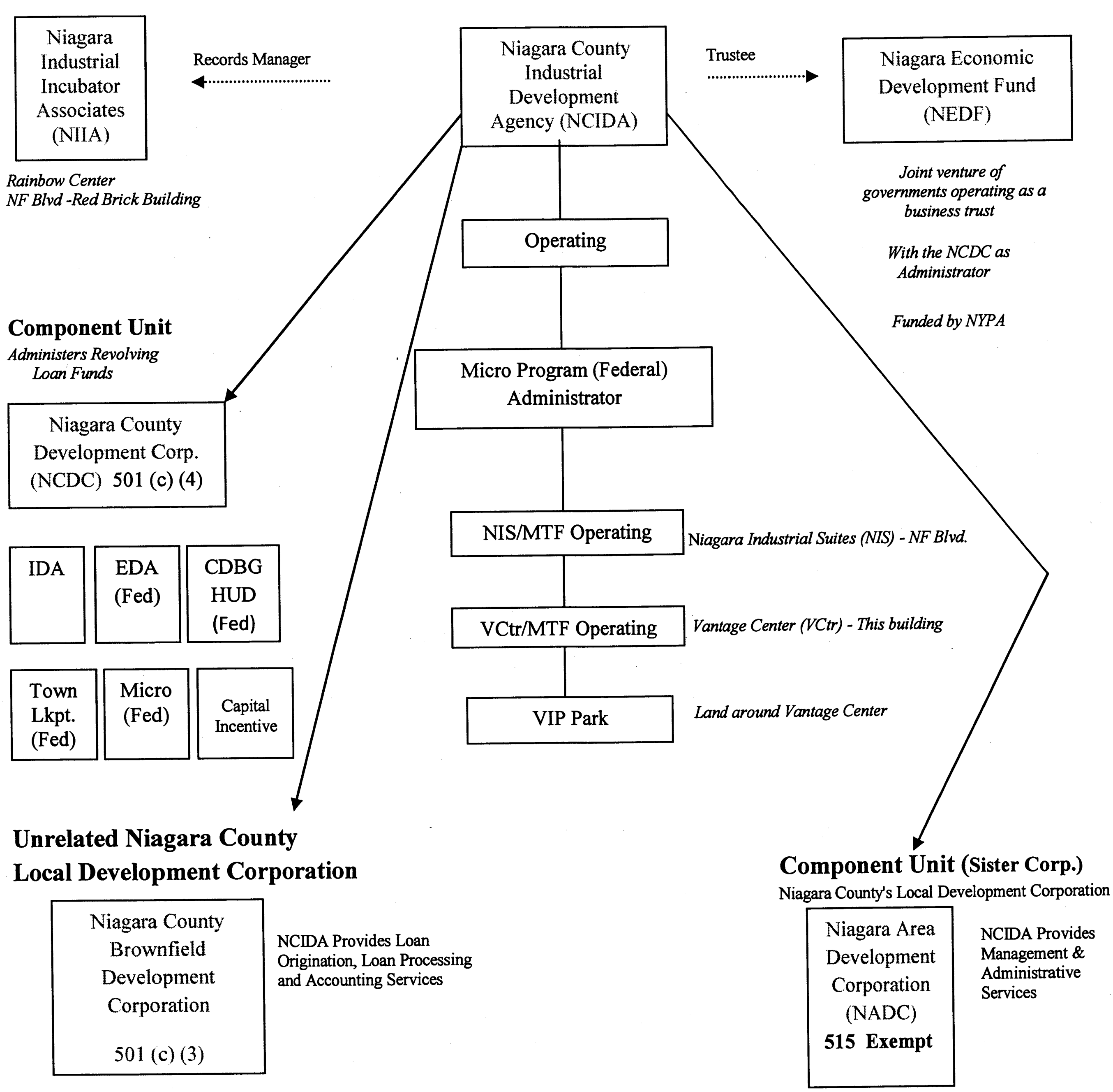
Michael W. Tucker, Acting Chairperson
Samuel M. Ferraro, Executive Director/Treasurer

NCIDA, NCDC AND NADC CORPORATE STRUCTURE
EXHIBIT I

Limited Partnership (NIIA)
1. NFTA
2. NCIDA
3. Private Investors

Joint Venture (NEDF)
1. NY Power Authority (NYPA)
2. City of Niagara Falls
3. Empire State Development Corp.
4. NCIDA

PRIMARY GOVERNMENT



IRB AND LOAN PORTFOLIO PROJECTS
Exhibit II

2012 NCIDA and NADC Approved Industrial Revenue Bond and Leaseback Projects

COMPANY	PROJECT DESCRIPTION	LOCATION	AMOUNT OF NCIDA/NADC PROJECT	# OF JOBS RETAINED	CREATED*
Wheatfield Family Dentistry	Construction of new office facility	Town of Wheatfield	$690,500	8	2*
Franks Vacuum Truck Service	Construction of new facility	Niagara Falls	$2,325,000	45	15*
Olin Corporation	Plant expansion	Niagara Falls	$20,000,000	177	11*
Taylor Devices, Inc.	Renovation of industrial buildings	North Tonawanda	$2,705,000	93	20*
Mawhiney Trucking, Inc.	Construction of a garage and warehouse facility	Town of Wilson	$430,000	10	3*
Jai Devi, Inc.	Construct a boutique hotel	City of Niagara Falls	$450,000	0	5*
525 Wheat LLC.	Renovate abandoned building	City of North Tonawanda	$960,000	20	4*
Niagara University	Refinance existing bonds and new bonds	Town of Lewiston	$48,000,000	491 FT; 142 PT	17*
Covanta Holding Corp.	Tax exempt bond refinancing	Niagara Falls	$165,010,000	86	0*

2012 Microenterprise Assistance Program Loan

Beach Bright, Inc.	North Tonawanda	$25,000	1	2 PT*

2012 Revolving Loan Fund Projects

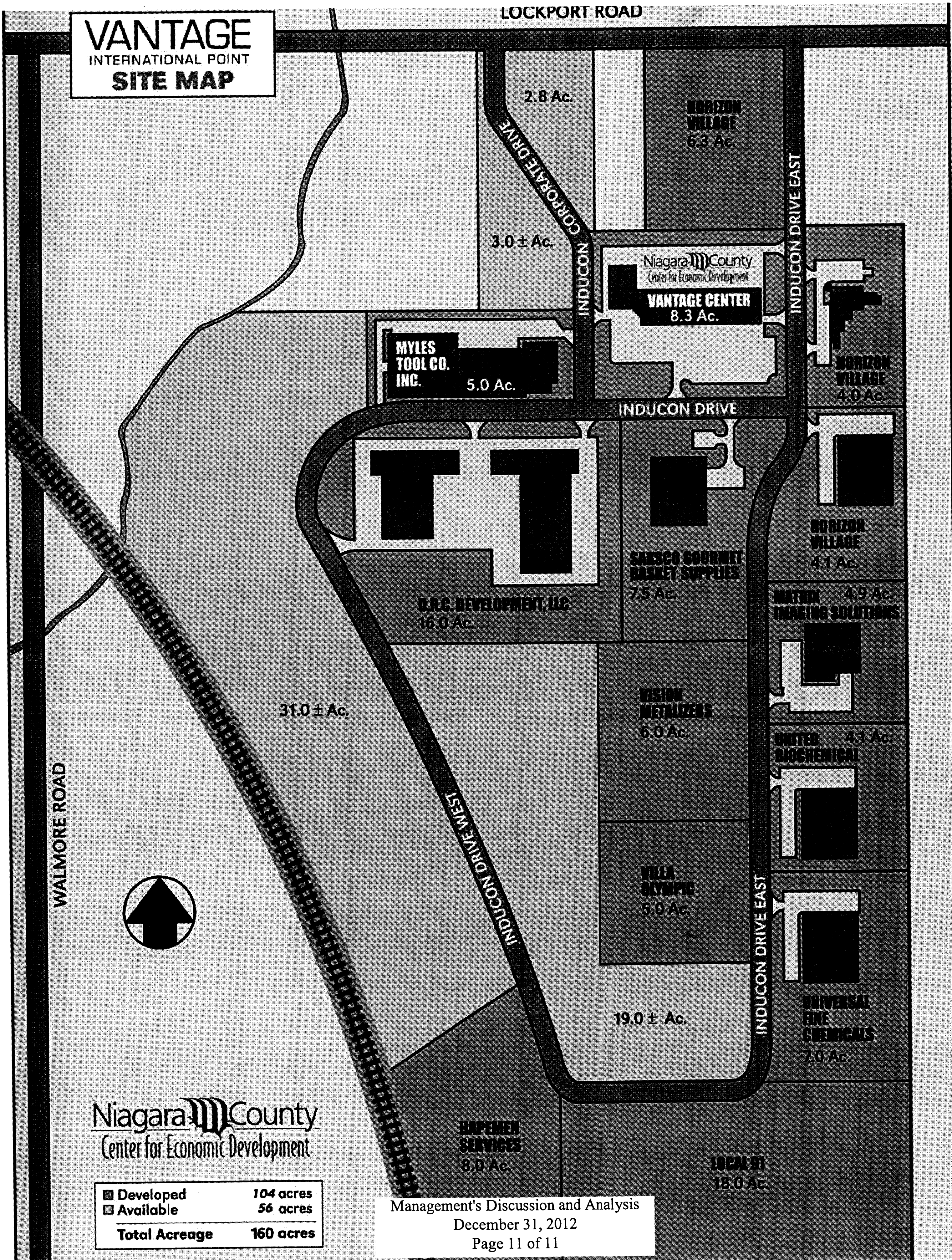
J. M. Canty, Inc. (EDA)	Town of Pendleton	$200,000	33	6*
Pyrotech, Inc./Metaulics (HUD)	Wheatfield	$400,000	47	0*

2012 NEDF RLF Projects

S. Brown Properties, Inc.	Town of Pendleton	$147,000	7	5*
Diversified Manufacturing, Inc.	Lockport	$150,000	101	0*

2012 NEDF USA Niagara Development Grant Program

TGI Fridays	Niagara Falls	$75,000	23	0*
451 Third Street	Niagara Falls	$100,000	5	3*


VANTAGE
INTERNATIONAL POINT
SITE MAP
LOCKPORT ROAD
WALMORE ROAD
2.8 Ac.
HORIZON VILLAGE
6.3 Ac.
INDUCON CORPORATE DRIVE
INDUCON DRIVE EAST
3.0 ± Ac.
Niagara County Center for Economic Development
VANTAGE CENTER
8.3 Ac.
MYLES TOOL CO. INC.
5.0 Ac.
HORIZON VILLAGE
4.0 Ac.
INDUCON DRIVE
HORIZON VILLAGE
4.1 Ac.
SAKSCO GOURMET BASKET SUPPLIES
7.5 Ac.
D.R.C. DEVELOPMENT, LLC
16.0 Ac.
MATRIX IMAGING SOLUTIONS
4.9 Ac.
31.0 ± Ac.
VISION METALIZERS
6.0 Ac.
UNITED BIOCHEMICAL
4.1 Ac.
INDUCON DRIVE WEST
VILLA OLYMPIC
5.0 Ac.
INDUCON DRIVE EAST
UNIVERSAL FINE CHEMICALS
7.0 Ac.
19.0 ± Ac.
Niagara County
Center for Economic Development
HAPEMEN SERVICES
8.0 Ac.
LOCAL 91
18.0 Ac.
Developed 104 acres
Available 56 acres
Total Acreage 160 acres

Balance Sheets

December 31, 2012
(with summarized comparative totals as of December 31, 2011)

	Primary Government Business-Type Activity	Component Unit Niagara County Development Corporation (Not-for-Profit)	Total	Total 2011 Summarized (As restated)
Assets				
Current assets:				
Cash				
Unrestricted	$ 1,861,430	$ 2,189,787	$ 4,051,217	$ 4,224,431
Restricted	120,604	-	120,604	174,255
Accounts receivable				
Trade	5,087	100	5,187	248,668
Affiliates	-	-	-	1,468
Internal balances	50,416	(50,416)	-	-
Prepaid expenses	56,343	-	56,343	52,837
Loans receivable	74,400	286,647	361,047	306,899
	2,168,280	2,426,118	4,594,398	5,008,558
Noncurrent assets:				
Loans receivable, net	93,000	1,314,978	1,407,978	1,359,602
Property and equipment, net	4,714,481	-	4,714,481	4,915,991
Investment in affiliate	30,000	-	30,000	30,000
	4,837,481	1,314,978	6,152,459	6,305,593
	$ 7,005,761	$ 3,741,096	$ 10,746,857	$ 11,314,151
Liabilities and Net Position				
Current liabilities:				
Accounts payable	$ 75,556	$ 2,550	$ 78,106	$ 406,506
Due to other governments	15,517	-	15,517	36,958
Current portion of long-term obligations				
Due others	80,932	-	80,932	167,240
Due affiliates	1,976	-	1,976	23,692
Internal balances	40,205	(40,205)	-	-
Due to retirement system	6,645	-	6,645	-
Unearned revenue	45,000	-	45,000	132,518
Security deposits	15,168	-	15,168	20,838
	280,999	(37,655)	243,344	787,752
Long-term obligations:				
Due others	93,000	-	93,000	693,921
Due affiliates	-	-	-	1,976
Internal balances	167,001	(167,001)	-	-
Due to retirement system	154,280	-	154,280	-
	414,281	(167,001)	247,280	695,897
	695,280	(204,656)	490,624	1,483,649
Deferred inflow of resources:				
Deferred inflow on interest rate swap	-	-	-	170,622
Net position:				
Net investment in capital assets	4,714,481	-	4,714,481	4,068,469
Unrestricted	1,596,000	3,945,752	5,541,752	5,591,411
	6,310,481	3,945,752	10,256,233	9,659,880
	$ 7,005,761	$ 3,741,096	$ 10,746,857	$ 11,314,151

See accompanying notes.

Statements of Revenues, Expenses, and Changes in Net Position

For the year ended December 31, 2012
(with summarized comparative totals for December 31, 2011)

	Primary Government Business-Type Activity	Component Unit Niagara County Development Corporation (Not-for-Profit)	Total	Total 2011 Summarized (As restated)
Operating revenues:				
Fees	$ 1,185,803	$ 4,312	$ 1,190,115	$ 782,790
Program income	-	76,999	76,999	80,405
Grants from federal, state and local governments	-	400,000	400,000	-
Rental income and common area charges	463,989	-	463,989	594,546
Occupancy income	27,387	-	27,387	27,387
Administrative fees from affiliates	128,432	(50,265)	78,167	72,315
Miscellaneous	107,694	1,400	109,094	11,831
Total operating revenues	1,913,305	432,446	2,345,751	1,569,274
Operating expenses:				
Personnel services	478,811	-	478,811	428,716
Contractual expenses	285,729	8,899	294,628	231,237
Occupancy	198,205	-	198,205	264,608
Program and related expenses	-	33,512	33,512	35,534
Employee benefits	430,819	-	430,819	202,638
Interest expense	34,038	(11,384)	22,654	137,038
Provision for uncollectible loans	-	208,635	208,635	40,876
Depreciation	207,475	-	207,475	217,604
Total operating expenses	1,635,077	239,662	1,874,739	1,558,251
Operating gain	278,228	192,784	471,012	11,023
Nonoperating revenues (expenses):				
Grants from state and local governments	846,006	-	846,006	551,205
Investment income (loss)	2,625	2,773	5,398	(11,776)
Income from investment in affiliated organization	102,175	-	102,175	33,500
Loss on sale of assets	-	-	-	(1,235)
Grants to subrecipients	(812,721)	-	(812,721)	(511,279)
Total nonoperating revenues	138,085	2,773	140,858	60,415
Gain	416,313	195,557	611,870	71,438
Transfer to Niagara Frontier Transportation Authority	(15,517)	-	(15,517)	(36,158)
Internal transfer	749,028	(749,028)	-	-
Net gain (loss)	1,149,824	(553,471)	596,353	35,280
Net position - beginning (as restated - Note 2)	5,160,657	4,499,223	9,659,880	9,624,600
Net position - ending	$ 6,310,481	$ 3,945,752	$ 10,256,233	$ 9,659,880

See accompanying notes.

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Statement of Cash Flows

For the year ended December 31, 2012

Operating activities:	
Cash received from loan and administrative fees	$ 1,226,180
Cash received from rental, occupancy, and common area charges	485,706
Cash received from other sources	107,694
Payments to employees, suppliers, and other	(1,566,532)
Payments for interest	(34,038)
Net operating activities	219,010
Noncapital financing activities:	
Grants received	1,090,124
Grants paid to third party recipients	(812,721)
Net noncapital financing activities	277,403
Capital and related financing activities:	
Purchases of equipment	(5,965)
Cash received from NCDC	749,028
Loan payments to third parties	(857,851)
Net capital and related financing activities	(114,788)
Investing activities:	
Cash received from investment in affiliate	102,175
Loans received (payments made) from affiliates	(44,561)
Cash payments to Niagara Frontier Transportation Authority	(36,158)
Interest income	2,625
Net investing activities	24,081
Net change in cash	405,706
Cash - beginning	1,576,328
Cash - ending	$ 1,982,034
Reconciliation of operating gain to net cash flows from operating activities:	
Operating gain	$ 278,228
Adjustments to reconcile operating gain to net cash flows from operating activities:	
Depreciation	207,475
Changes in other current assets and liabilities	
Accounts receivable and other assets	(3,871)
Accounts payable and other liabilities	(262,822)
Net operating activities	$ 219,010

See accompanying notes.

1. Summary of Significant Accounting Policies

Nature of Organization:

Niagara County Industrial Development Agency (the Agency) is a nonprofit, public benefit corporation authorized under the laws of the State of New York (the State). The Agency was formed under the State Industrial Development Agency Act, constituting Title I of Article 18-A of the General Municipal Law; Chapter 24 of the Consolidated Laws of New York, as amended; and Chapter 569 of the 1962 Laws of New York (collectively, the "Act"). Its purpose is to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, importing, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial and research facilities and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State, particularly Niagara County (the County), and to improve their prosperity and standard of living. The Agency is governed by a Board of Directors appointed by the County Legislature.

The Agency is empowered to issue industrial revenue bonds for the purpose of constructing, acquiring, equipping and furnishing industrial manufacturing, warehousing and certain commercial research and recreational facilities. To accomplish the purposes of the Act, the Agency may acquire property and enter into lease agreements, mortgage agreements, and pledge agreements.

Basis of Presentation:

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency applies all GASB pronouncements as well as applicable accounting and financial reporting guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

Grants:

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Typically, grants received are passed through to other entities less an administrative fee charged by the Agency if permissible.

Financial Reporting Entity:

In evaluating how to define the Agency for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Agency's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB Statements No. 39 and 61, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following entities are included in the Agency's basic financial statements:

Niagara Area Development Corporation (NADC) is a governmental entity formed in 2011 to undertake and promote economic development initiatives in the County. Its functions will include real estate leasing, acquisition, development, and management; real estate project financing; and other community-based economic development activities for the benefit of nonprofit organizations.

NADC was formed by the County, which requires the Directors of the Agency to serve as the directors of NADC. In addition, the Agency is entitled to all financing fees generated by NADC in exchange for providing ongoing management and administrative services to NADC. As a result, NADC is presented as a blended component unit of the Agency. Internal balances have been eliminated for the purposes of this presentation in the accompanying financial statements to avoid the impact of "grossing-up" the affected financial statement line items. In addition, separate financial statements of NADC are available from the Agency.

Niagara County Development Corporation (NCDC) is a nonprofit corporation formed to promote economic growth and prosperity in the County. Its function is to make loans at favorable interest rates to small businesses that are located within the County, thus encouraging startup of new businesses and relocation and expansion of existing businesses within the County.

These loans are made at favorable interest rates that vary with the prime rate. The governing board approves these loans after giving consideration to the major criteria, including enhancement of the economic environment. Normally, these loans are made in conjunction with other third-party lender financing through financial institutions. The businesses' assets and personal guarantees of the owners collateralize most of these loans; however, in many instances, NCDC's collateral interest is subordinated to the third-party lender. These loans have variable maturities dependent upon use, such as working capital or equipment acquisition. Interest is recognized on these loans as it is paid.

The membership of NCDC consists of the nine Board members of the Agency, the Chairperson of the County Legislature or his/her designee, and three additional members appointed by the Board at its discretion. In accordance with GASB Statement No. 39, because the Agency is a business-type activity and NCDC is a nonprofit organization, the activity of NCDC is reflected as a discretely-presented component unit of the Agency. Internal balances that include NCDC's $150,000 investment in the Agency and the Agency's related effect on net position have been eliminated for purposes of this presentation in the accompanying financial statements to avoid the impact of "grossing-up" the affected financial statement line items. In addition, separate financial statements of NCDC are available from the Agency.

Measurement Focus:

The Agency reports as a special-purpose government engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The Agency's financial statements are reported 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.

The Agency's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made to purchase those goods or services. Certain other transactions are reported as nonoperating activities and include the Agency's operating grants from State, Federal, and local sources, and investment income.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash:

Cash management policies are governed by State laws and as established in the Agency's and NCDC's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Management is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit 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 the State and its municipalities and school districts.

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's and NCDC's deposits may not be returned to it. At December 31, 2012, the Agency's and NCDC's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust departments or agents in the Agency's and NCDC's names.

Restricted cash represents cash whose use is limited by legal requirements for which offsetting liabilities have been recognized.

Allowance for Uncollectible Loans and Receivables (NCDC):

Loans receivable are stated at the principal amount outstanding, net of an allowance for uncollectible loans that includes loan forgiveness. The allowance method is used to compute the provision for uncollectible loans.

Determination of the balance of the allowance for uncollectible loans is based on an analysis of the loan portfolio and reflects an amount that, in management's judgment, is adequate to provide for potential loan losses. Loans are written off when, in management's judgment, no legal recourse is available to collect the amount owed.

Interest on notes receivable is accrued as required by the terms of the agreement; management considers that collection is probable based on the current economic condition of the borrower. Interest accrual stops when a loan becomes past due and does not commence again until the loan is current.

Capital Assets:

Capital assets are recorded at cost. Contributed assets are recorded at fair value at the time received. Depreciation is provided over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds to determine which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization policy	Estimated Useful life
Buildings and improvements	$ 5,000	3-40 years
Furniture and equipment	$ 1,000	5-40 years
Infrastructure	$ 5,000	25 years

Net Position:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets whose use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the Agency.

Budgetary Policies:

Agency administration prepares a proposed budget for the Operating Fund, which is then approved by the Agency's Board of Directors. This budget is then submitted to the County Legislature for review. Such appropriations constitute a limitation on expenses that may be incurred. Appropriations lapse at year end.

2. Change in Accounting Principle

In 2012, the Agency adopted GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. These statements require reporting of deferred outflows and inflows of resources separately from assets and liabilities and replace net assets with net position. In addition, certain items previously reported as assets and liabilities are now recognized as outflows or inflows of resources.

The following summarizes the effect of GASB Statement No. 65 on net assets of the Agency as of January 1, 2011, the earliest period presented:

Net assets as previously reported, Agency	**$ 9,661,809**
Deferred financing costs	**(37,209)**
	$ 9,624,600

In addition, the statements of revenues, expenses, and changes in net position have been retroactively restated for such change, which resulted in a decrease in depreciation and amortization expense of $20,985 and a corresponding increase in net gain. This difference reflects removal of amortization of loan costs from expense.

3. Loans Receivable

Agency:		
Note receivable from third party for repayment of loan to State Department of Transportation (Note 6)	$	167,400
Less current portion		74,400
	$	93,000

NCDC:		
Various notes receivable from companies with operations in Niagara County, due in aggregate monthly installments of approximately $23,900 plus interest at rates ranging from 3.0% to 6.8%, generally secured by secondary position on assets and personal guarantees, due through December 2020.	$	1,922,211
Less allowance for uncollectible loans		320,586
Less current portion		286,647
	$	1,314,978

NCDC has six revolving loan programs offering low interest commercial loans to area businesses. The governing board approves loans after giving consideration to the major criteria, including enhancement of the economic environment. Non-accrual loans amounted to $156,691 and $372,440 at December 31, 2012 and 2011.

These programs consist of the following:

- *EDA revolving loan account* – established through federal grants from the Economic Development Administration (EDA) and transferred from the Agency pursuant to an agreement dated July 16, 1992.
- *HUD revolving loan account* – established through federal grants from the Department of Housing and Urban Development (HUD) and transferred from the Agency pursuant to an agreement dated July 16, 1992.
- *Town of Lockport revolving loan account* – established in 2002 with a HUD Community Development Block Grant (CDBG) to aid industries in the Town of Lockport. There are currently no loans outstanding under this revolving loan program.
- *IDA revolving loan account* – pursuant to an agreement dated July 16, 1992 between the Agency and NCDC, IDA #1 and IDA #2 Revolving Loan Accounts were combined into one loan account (IDA Revolving Loan Account (IDA-RLA)) and transferred from the Agency to NCDC.
- *Micro revolving loan account* – established in 1996 with a HUD CDBG to assist in the establishment and expansion of microenterprise business activity within the County, create employment opportunities for low to moderate income County residents, and preserve and expand the County's tax base.
- *Capital incentive growth revolving loan account* – established in 1998 to provide start-up expansion capital for technology-based companies seeking to retain or establish local ownership. There are currently no loans outstanding under this revolving loan program.

4. Capital Assets

	Balance January 1, 2012	Increases	Retirements/ Reclassifications	Balance December 31, 2012
Non-depreciable capital assets:				
Land	$ 7,410	$ -	$ -	$ 7,410
Depreciable capital assets:				
Land improvements	75,254	5,965	-	81,219
Buildings	7,180,711	-	-	7,180,711
Furniture and equipment	244,282	-	-	244,282
Infrastructure	110,097	-	-	110,097
Total depreciable assets	7,610,344	5,965	-	7,616,309
Less accumulated depreciation:				
Land improvements	59,573	1,798	-	61,371
Buildings	2,426,687	190,456	-	2,617,143
Furniture and equipment	204,512	9,777	-	214,289
Infrastructure	10,991	5,444	-	16,435
Total accumulated depreciation	2,701,763	207,475	-	2,909,238
Total depreciable assets, net	4,908,581	(201,510)	-	4,707,071
	$ 4,915,991	**$ (201,510)**	**$ -**	**$ 4,714,481**

5. Investments

Incubator Facility Fund:

During 1985, the Agency made a $30,000 capital contribution to Niagara Industrial Incubator Associates (NIIA), a limited partnership and related party, formed for the purpose of developing an incubator facility in the area designated as a foreign trade zone. The partnership is composed of the general partner, Niagara Industrial Incubator Company (itself a partnership between the Agency and Niagara Frontier Transportation Authority) and the limited partner, Niagara Wheatfield Investments. This investment is accounted for at cost. Separate audited financial statements for NIIA are available from the Agency.

6. Long-Term Debt

State Department of Transportation	**$ 167,400**
Job Development Authority	**6,532**
Niagara Economic Development Fund	**1,976**
	175,908
Less current portion	**82,908**
	$ 93,000

Aggregate maturities on long-term debt subsequent to December 31, 2012 are:

	Principal	Interest
2013	$ 82,908	$ 65
2014	37,200	-
2015	55,800	-
	$ 175,908	$ 65

Internal Balances – Loan Payable:

In 1993, NCDC loaned the Agency $165,000 to complete construction of the Agency's office space within the multi-tenant facility. In 1996, NCDC loaned the Agency an additional $145,000 for capital requirements of the multi-tenant facility. Interest on this loan was established at the investment return experienced by NCDC's Industrial Development Agency Revolving Loan Program. In prior years, accrued interest was added to the loan balance, but remained unpaid. Lastly, in 1996 NCDC loaned the Agency $6,900 to be used to fund a storage room for the resource center.

On December 31, 2001, the Agency formalized the borrowing arrangement through a 15-year promissory note. The promissory note bears interest at 5%, with monthly principal and interest payments of $2,533. On December 31, 2016, a balloon payment of $95,821 is due and payable unless a mutually acceptable renewal option negotiated 90 days prior to the final payment date has been exercised. For the year ended December 31, 2012, interest amounted to $9,980. The balance outstanding on this loan as of December 31, 2012 was $188,456.

During 2003, the Agency borrowed $150,000 from NCDC to complete a build-out in the Vantage Centre for a tenant-occupied space. The loan was interest-free during the construction period. At the end of the construction period, interest accrues at a rate of 5% and is repaid in 40 quarterly payments of $1,250 plus interest with a final balloon payment or option of renewal. For the year ended December 31, 2012, interest in the amount of $1,406 has been recognized. The amount outstanding under this arrangement amounted to $18,750 as of December 31, 2012.

Loans Payable, Operating:

In 2011, the Agency entered into an agreement with the State Department of Transportation and a third party as part of the State Industrial Access Program. This award consisted of a grant portion and a loan portion. The loan of $186,000, to be paid back over five years, is non-interest bearing. The Agency serves as a pass-through entity, collecting amounts owed from the third party and submitting them to the State. Amounts outstanding under this loan and receivable from the third party total $167,400 at December 31, 2012.

Loans Payable, Multi-Tenant Facilities:

<u>Multi-Tenant Facility - Wheatfield</u>

From 1992 through 1994, the Agency constructed a Multi-Tenant Facility in the foreign trade zone in the Town of Wheatfield near the airport. Funding for the construction of the Facility consisted of the following:

Federal Assistance Award, U.S. Department of Commerce	$1,100,000
NYS Job Development Authority realty loan	700,000
Niagara Economic Development Fund loan	250,000
Niagara County Industrial Development Agency cash contribution	150,000
	$2,200,000

In December 1997, the Agency received loans of $700,000 and $250,000 respectively from the New York State Job Development Authority and Niagara Economic Development Fund, a related party as explained in Note 9. The land, buildings and improvements of the Multi-Tenant Facility located at 2055 Niagara Falls Boulevard, Town of Wheatfield, New York, secure the loans.

The mortgage notes payable are fifteen year notes with monthly payments of principal and interest of $7,267 and $2,043 beginning February 1, 1998 and January 1, 2001, respectively, and continuing until January 1, 2013. For the year ended December 31, 2012, total interest paid amounted to $5,706. The interest rate on the $700,000 note is 9.4%. The rate of interest on the $250,000 note is 5.5%. Amounts outstanding under these loans at December 31, 2012 total $8,508.

<u>Multi-Tenant Facility - Vantage International Pointe</u>

During 2001, the Agency constructed a second Multi-Tenant Incubator Facility in Vantage International Pointe in the Town of Wheatfield. Funding for the construction of the facility consisted of the following:

Federal Assistance Award, U.S. Department of Commerce	$ 1,000,000
NYS Job Development Authority loan	950,000
Commercial loan	950,000
NCIDA cash contribution	500,000
HUD Federal Assistance Award through the County	400,000
Other internal resources	235,060
County, in-kind land contribution	109,688
	$ 4,144,748

The Agency obtained a construction loan in the amount of $2,300,000 as interim financing until the project was complete. This loan was bifurcated into two construction loans. One, in the amount of $1,350,000, had a term of 12 months, with monthly interest-only payments. The second, in the amount of $950,000, had a term of 21 years. The Agency paid the remaining balance of this loan and terminated the corresponding interest rate swap agreement during 2012.

During 2003, the temporary construction loan was replaced by a mortgage with the New York State Job Development Authority in the amount of $950,000. The loan had a 20-year term, but the Agency paid off the remaining balance in September 2011.

7. Operating Lease

The Agency accounts for the rental of its office space in the Multi-Tenant/Incubator Facility at Vantage International Pointe as an expense in its operating fund and as revenue in its Vantage International Pointe Multi-Tenant Facility Fund. Rent expense and common area charges for the year ended December 31, 2012 amounted to $43,204 and $8,686, respectively.

8. Pension

The Agency participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Deferred Compensation Plan. ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

The Agency enrolled in ERS in 2003 and elected to fund the initial cost of $225,038 through a 25 year payment period at an 8% interest rate. The remaining amount due to ERS at December 31, 2012 amounted to $160,925.

ERS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined between January 1976 and December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership. Participants hired after April 1, 2012 are required to contribute 3% through March 31, 2013; beginning April 1, 2013, these participants will contribute a percentage ranging from 3% to 6% each year, dependent upon their compensation throughout their career. No employee contributions are required for those who joined prior to July 1976.

The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Agency to the pension accumulation fund.

The required contributions and rates over the past three years were:

		Amount	Rate
2012	$	102,861	9.9-25.2%
2011		57,593	12.6-21.3%
2010		99,678	11.2-15.2%

The Agency's contributions were equal to 100% of the amount required for each year.

9. Related-Party Transactions

Administration Fees:

The Agency received $4,000 in administration fees from NIIA during the year ended December 31, 2012.

During 2012, the Agency received $50,000 in administration fees from Niagara Economic Development Fund (NEDF), a business trust whose membership consists of representatives of the Empire State Development Corporation, the New York Power Authority, the City of Niagara Falls, and the Agency. The Agency serves as its trustee and NCDC as the loan fund administrator. Loan origination fees of $3,713 were also received from NEDF during the year ended December 31, 2012.

Other:

The Agency and NCDC have entered into various borrowing arrangements with each other. All short-term borrowings are of an interest-free nature, while longer term borrowings carry an interest rate that reflects borrowings that would be made to third parties. Borrowings are reflected as internal balances in the accompanying financial statements.

10. Industrial Revenue Bond and Note Transactions

Certain industrial revenue bonds and notes issued by the Agency are secured by property that is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the State. The Agency does not record the assets nor liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange financing between the borrowing companies and the bond and note holders. Funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. The original value of the property leased by the Agency aggregated $220,467,000 in 2012.

11. Risk Management

The Agency purchases commercial insurance for various risks of loss due to torts, theft, damage, injuries to employees, errors and omissions, and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

12. Commitments

Outstanding loan commitments made by NCDC to several businesses total $275,000 at December 31, 2012.

13. Contingencies

Grants:

The Agency receives financial assistance from federal and state agencies in the form of grants. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Agency. Based on prior experience, management expects any such amounts to be immaterial.

Litigation:

The Agency is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims and lawsuits will not have a material adverse effect upon the financial position of the Agency.

Supplementary Information
Schedules of Intra-Agency Balance Sheets by Operating Unit

December 31, 2012
(with summarized comparative totals as of December 31, 2011)

	Operating	Multi-Tenant Facility Operating	VIP Multi-Tenant Operating	Total	Total 2011 Summarized (As restated)
Assets					
Current assets:					
Cash					
Unrestricted	$ 1,438,164	$ 256,269	$ 166,997	$ 1,861,430	$ 1,402,073
Restricted	45,000	6,487	69,117	120,604	174,255
Accounts receivable					
Trade	4,616	-	471	5,087	248,668
Affiliates	-	-	-	-	1,468
Internal balances	50,416	-	-	50,416	63,489
Prepaid expenses	37,457	5,363	13,523	56,343	52,837
Due from other operating units	550,336	-	-	550,336	603,873
Loans receivable	74,400	-	-	74,400	37,200
	2,200,389	268,119	250,108	2,718,616	2,583,863
Noncurrent assets:					
Loans receivable, net	93,000	-	-	93,000	130,200
Property and equipment, net	29,018	1,471,958	3,213,505	4,714,481	4,915,991
Investment in affiliate	30,000	-	-	30,000	30,000
	152,018	1,471,958	3,213,505	4,837,481	5,076,191
	$ 2,352,407	$ 1,740,077	$ 3,463,613	$ 7,556,097	$ 7,660,054
Liabilities and Net Position					
Current liabilities:					
Accounts payable	$ 32,539	$ 32,070	$ 10,947	$ 75,556	$ 405,143
Due to other governments	-	15,517	-	15,517	36,958
Current portion of long-term obligations					
Due others	74,400	6,532	-	80,932	167,240
Due affiliates	-	1,976	-	1,976	23,692
Internal balances	-	21,455	18,750	40,205	35,411
Due to retirement system	6,645	-	-	6,645	-
Unearned revenue	45,000	-	-	45,000	132,518
Security deposits	-	6,487	8,681	15,168	20,838
Due to other operating units	-	19,095	531,241	550,336	603,873
	158,584	103,132	569,619	831,335	1,425,673
Long-term obligations:					
Due others	93,000	-	-	93,000	693,921
Due affiliates	-	-	-	-	1,976
Internal balances	-	167,001	-	167,001	207,205
Due to retirement system	154,280	-	-	154,280	-
	247,280	167,001	-	414,281	903,102
	405,864	270,133	569,619	1,245,616	2,328,775
Deferred inflow of resources:					
Deferred inflow on interest rate swap	-	-	-	-	170,622
Net position:					
Net investment in capital assets	29,018	1,471,958	3,213,505	4,714,481	4,068,469
Unrestricted (deficit)	1,917,525	(2,014)	(319,511)	1,596,000	1,092,188
	1,946,543	1,469,944	2,893,994	6,310,481	5,160,657
	$ 2,352,407	$ 1,740,077	$ 3,463,613	$ 7,556,097	$ 7,660,054

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Supplementary Information
Schedules of Intra-Agency Revenues, Expenses, and Changes in Net Position by Operating Unit

For the year ended December 31, 2012
(with summarized comparative totals for December 31, 2011)

	Operating	Multi-Tenant Facility Operating	VIP Multi-Tenant Operating	Total	Total 2011 Summarized (As restated)
Operating revenues:					
Fees	$ 1,185,803	$ -	$ -	$ 1,185,803	$ 782,790
Rental income and common area charges	585	228,820	234,584	463,989	594,546
Occupancy income	27,387	-	-	27,387	27,972
Administrative fees from affiliates	128,432	-	-	128,432	125,215
Miscellaneous	45,581	54,763	7,350	107,694	10,026
Total operating revenues	1,387,788	283,583	241,934	1,913,305	1,540,549
Operating expenses:					
Personnel services	478,811	-	-	478,811	428,716
Employee benefits	430,819	-	-	430,819	202,638
Contractual expenses	266,310	5,788	13,631	285,729	211,050
Occupancy	86,244	38,559	73,402	198,205	264,608
Interest expense	-	15,686	18,352	34,038	150,168
Provision for uncollectible loans	-	-	-	-	27,375
Depreciation	9,744	85,091	112,640	207,475	217,604
Total operating expenses	1,271,928	145,124	218,025	1,635,077	1,502,159
Operating gain	115,860	138,459	23,909	278,228	38,390
Nonoperating revenues (expenses):					
Grants from state and local governments	846,006	-	-	846,006	551,205
Investment income (loss)	1,946	332	347	2,625	(16,513)
Income from investment in affiliated organization	102,175	-	-	102,175	33,500
Income from joint venture	15,517	(15,517)	-	-	-
Loss on sale of assets	-	-	-	-	(1,235)
Grants to subrecipients	(812,721)	-	-	(812,721)	(511,279)
Total nonoperating revenues	152,923	(15,185)	347	138,085	55,678
Gain	268,783	123,274	24,256	416,313	94,068
Transfer to Niagara Frontier Transportation Authority	-	(15,517)	-	(15,517)	(36,158)
Internal transfer	(39,232)	-	39,232	-	-
Transfer from NCDC	-	-	749,028	749,028	766,464
Net gain	229,551	107,757	812,516	1,149,824	824,374
Net position (as restated - Note 2)	1,716,992	1,362,187	2,081,478	5,160,657	4,336,283
Net position - ending	$ 1,946,543	$ 1,469,944	$ 2,893,994	$ 6,310,481	$ 5,160,657

Supplementary Information
Schedules of Intra-Agency Operating Expenses

For the year ended December 31, 2012
(with summarized comparative totals for December 31, 2011)

	Operating	Multi-Tenant Facility Operating	VIP Multi-Tenant Operating	Total	Total 2011 Summarized
Contractual expenses:					
Marketing	$ 58,363	$ -	$ -	$ 58,363	$ 48,452
Conferences and travel	2,566	-	-	2,566	3,343
Postage	3,054	-	-	3,054	3,501
Office supplies and expense	9,177	13	170	9,360	16,647
Printing	2,666	-	-	2,666	1,105
Telephone and internet	10,501	-	-	10,501	10,689
Library and memberships	1,411	-	-	1,411	1,366
Professional fees	147,868	450	-	148,318	80,931
Insurance	19,166	5,325	13,461	37,952	36,938
Computer consulting	11,201	-	-	11,201	7,172
Miscellaneous	337	-	-	337	906
	$ 266,310	$ 5,788	$ 13,631	$ 285,729	$ 211,050

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Number	Expenditures
U.S. Department of Housing and Urban Development:			
Passed through Niagara County			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Various	$ 1,082,728
U.S. Department of Commerce:			
Passed through Niagara County			
Economic Adjustment Assistance	11.307	Various	814,475
Total Expenditures of Federal Awards			$ 1,897,203

See accompanying notes.

1. Summary of Significant Accounting Policies

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Niagara County Industrial Development Agency (the Agency) and its component unit, Niagara County Development Corporation (NCDC), entities defined in Note 1 to the Agency's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Expenditures are calculated as required by OMB Circular A-133 or the applicable program and do not constitute actual program disbursements.

Basis of Accounting:

The Agency and NCDC use the accrual basis of accounting for each federal program, consistent with the financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the Agency's financial reporting system.

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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*

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara County Industrial Development Agency

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Niagara County Industrial Development Agency (the Agency) and its discretely presented component unit, Niagara County Development Corporation (NCDC), which comprise the balance sheets as of December 31, 2012, and the related statements of revenues, expenses, and changes in net position and cash flows, as applicable, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's and NCDC'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.

Lumsden & McCormick, LLP

March 14, 2013

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara County Industrial Development Agency

Report on Compliance for Each Major Federal Program

We have audited Niagara County Industrial Development Agency's (the Agency) and its discretely presented component unit, Niagara County Development Corporation's (NCDC) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of their major federal programs for the year ended December 31, 2012. The Agency's and NCDC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to their federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's and NCDC's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the Agency's and NCDC'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's and NCDC's compliance.

Opinion

In our opinion, the Agency and NCDC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of their major federal programs for the year ended December 31, 2012.

Report on Internal Control over Compliance

Management of the Agency and NCDC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's and NCDC's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Agency's and NCDC's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Lumsden & McCormick, LLP

March 14, 2013

Schedule of Findings and Questioned Costs

For the year ended December 31, 2012

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	*Unqualified*
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	*Unqualified*
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA #	Amount
Economic Adjustment Assistance	11.307	$ 814,475

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

Section II. Financial Statement Findings

No findings were reported.

Section III. Federal Award Findings and Questioned Costs

No findings were reported.

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Summary Schedule of Prior Audit Findings

December 31, 2012

Reference Number	Discussion	Questioned Cost	Status of Finding

No findings were reported and as such no corrective action plan is needed.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925 (3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

The Board of Directors
Niagara County Industrial Development Agency

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of Niagara County Industrial Development Agency (the Agency), a business-type activity, and its discretely presented component unit, which comprise the balance sheet as of December 31, 2012, and the related statements of revenues, expenses, and 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 14, 2013.

In connection with our audit, nothing came to our attention that caused us to believe that the Agency failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2012. 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 Agency'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.

Lumsden & McCormick, LLP

March 14, 2013