NIAGARA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2013

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Table of Contents

December 31, 2013

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, New York 14202

716-856-3300 | Fax 716-856-2524 | www.LumsdenCPA.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara County Industrial Development Agency

We have audited the accompanying balance sheets of Niagara County Industrial Development Agency (the Agency), a business-type activity, and its discretely presented component unit, as of December 31, 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended.

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.

Opinions

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, 2013, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 and the 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*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 April 9, 2014 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

April 9, 2014

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 (the 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, the 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 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 the 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. NCDC's function is to make loans at favorable interest rates to businesses located within the 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 accounting standards, 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, 2013 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.

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

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 County. The Legislature appointed the NCIDA Board as the NADC Board and there was a Management and Administrative Fee Agreement entered into between the County and NCIDA.

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 accounting standards, 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.

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, 2013. 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 non-operating expenses.

- Statement of Cash Flows - reports NCIDA's cash flows from operating, investing, and financing activities.

The following table summarizes NCIDA's financial position at December 31, 2013 and 2012 and the percentage changes between December 31, 2013 and 2012:

				% Change	
	2013	**2012**		**$**	**%**
Current assets	**$ 3,969,345**	$ 4,594,398	$	(625,053)	-14%
Noncurrent assets	**6,240,636**	6,152,459		88,177	1%
Total assets	**$ 10,209,981**	$ 10,746,857	$	(536,876)	-5%
Current liabilities	**$ 343,080**	$ 243,344	$	99,736	41%
Noncurrent liabilities	**55,800**	247,280		(191,480)	-77%
Total liabilities	**398,880**	490,624		(91,744)	-19%
Total net position	**$ 9,811,101**	$ 10,256,233	$	(445,132)	-4%

- Current assets decreased by $625,053, or 14%, primarily due to a decrease in cash. The decrease is the result of a net loss of $445,132 for the year ended December 31, 2013 and a net increase in loans receivable of $296,967.

- Noncurrent assets increased by $88,177, or 1%, due to the net increase in loans receivable noted above and a decrease in net capital assets of $205,926. Net capital assets decreased due to annual depreciation of $207,311 offset by additions of $1,385.

- Current liabilities increased by $99,736, or 41%, primarily due to the timing of payments for operations and an increase of $58,348 for the amount due to the Niagara Frontier Transportation Authority (NFTA) based on results of operations of the Niagara Industrial Suites for 2013.

- Noncurrent liabilities decreased by $191,480, or 77%. NCIDA paid the remaining balance of the New York State Employees' Retirement System (ERS) liability of $154,280 during 2013 and also made the annual debt payment to New York State Department of Transportation for a pass-through loan.

The following table summarizes NCIDA's changes in net position for the years ended December 31, 2013 and 2012 and the percentage of change between each year:

	2013	2012	% Change $	% Change %
Operating revenues:				
Admin fees, program, rental income	**$ 904,140**	$ 1,758,490	$ (854,350)	**-49%**
Other income	**96,327**	587,261	(490,934)	**-84%**
Total operating revenues	**1,000,467**	2,345,751	(1,345,284)	**-57%**
Operating expenses:				
Salaries, benefits, contractual, occupancy	**1,216,819**	1,402,463	(185,644)	**-13%**
Depreciation, interest, bad debts	**243,023**	472,276	(229,253)	**-49%**
Total operating expenses	**1,459,842**	1,874,739	(414,897)	**-22%**
Operating income	**(459,375)**	471,012	(930,387)	**-198%**
Nonoperating revenues (expenses):				
Grants from state and local governments	**-**	846,006	(846,006)	**-100%**
Affiliate organization income	**83,750**	102,175	(18,425)	**-18%**
Grant to subrecipients	**-**	(812,721)	812,721	**-100%**
Investment income	**4,008**	5,398	(1,390)	**-26%**
Total nonoperating revenues	**87,758**	140,858	(53,100)	**-38%**
Transfers to NFTA	**(73,515)**	(15,517)	(57,998)	**374%**
Change in net position	**(445,132)**	596,353	(1,041,485)	**-175%**
Beginning net position	**10,256,233**	9,659,880	596,353	**6%**
Ending net position	**$ 9,811,101**	$ 10,256,233	$ (445,132)	**-4%**

- Operating revenues decreased $1,345,284, or 57%, due to smaller industrial revenue bond and note transactions, resulting in decreased fees of $789,505, and a $400,000 grant was received in 2012 to provide for new loans to local businesses. No such grants were received in 2013.

- Operating expenses decreased $414,897, or 22%, primarily due to a reduction in the provision for uncollectible loans of $178,204 and a decrease of $185,000 in employee benefits related to the 2012 accrual of ERS costs.

- Nonoperating revenues (expenses) included pass-through grant activity in 2012 which did not occur in 2013. In 2012, grants from state and local governments exceeded grants to subrecipients because of administrative expenses which caused $33,285 of net nonoperating revenue in 2012. A decrease of $18,425, or 18%, from affiliate organization income is due to a reduction in distributions from Niagara Industrial Incubators Association.

- Transfers to NFTA increased $57,998, or 374%, due to the results of 2013 operations of Niagara Industrial Suites. Annual transfers are required based on the lease agreement between NFTA and NCIDA.

IRB PROJECTS AND LOAN PORTFOLIO TRANSACTIONS

NCIDA's and NADC's Industrial Revenue Bond (IRB) programs closed twelve (12) projects in 2013 inclusive of other projects outstanding from prior periods representing $46,379,000 in new capital investments in the County as compared to nine (9) projects in the prior period representing $240,570,500 in capital investments. Please see **Exhibit II** for detail of the 2013 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 2013, NCDC's revolving loan activities, inclusive of NEDF, was a total of five (5) new loans in the amount of $767,000, a decrease from 2012 of $155,000. The average loan was $153,000, consistent with the prior fiscal year of $154,000 due to a slow regional economic recovery, as well as increasing access to (loan) capital funding due to a sustained lower cost of loan funds.

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 provides supplemental detail on 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 (2nd) 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
NYJDA Realty loan	950,000
Commercial loan	950,000
NCIDA 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, as was the case in fiscal 1996, when 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.

On December 31, 2001, NCIDA and NCDC formalized the borrowing arrangement of the aforementioned loans through a fifteen (15) year promissory note in the amount of $364,582. 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. $167,001 remains outstanding at December 31, 2013 and is further detailed in Note 6 of the financial statements.

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 due from the third party amount to $99,200 as of December 31, 2013 and is further detailed in Note 3 of NCIDA's financial statements. Amounts outstanding under the related loan amounted to $130,200 as of December 31, 2013, which is further detailed in Note 6. The difference between the receivable and payable is due to the timing of the loan payment.

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

NCIDA's real estate development objective for 2014 is the sale of the remaining 42 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 the 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.

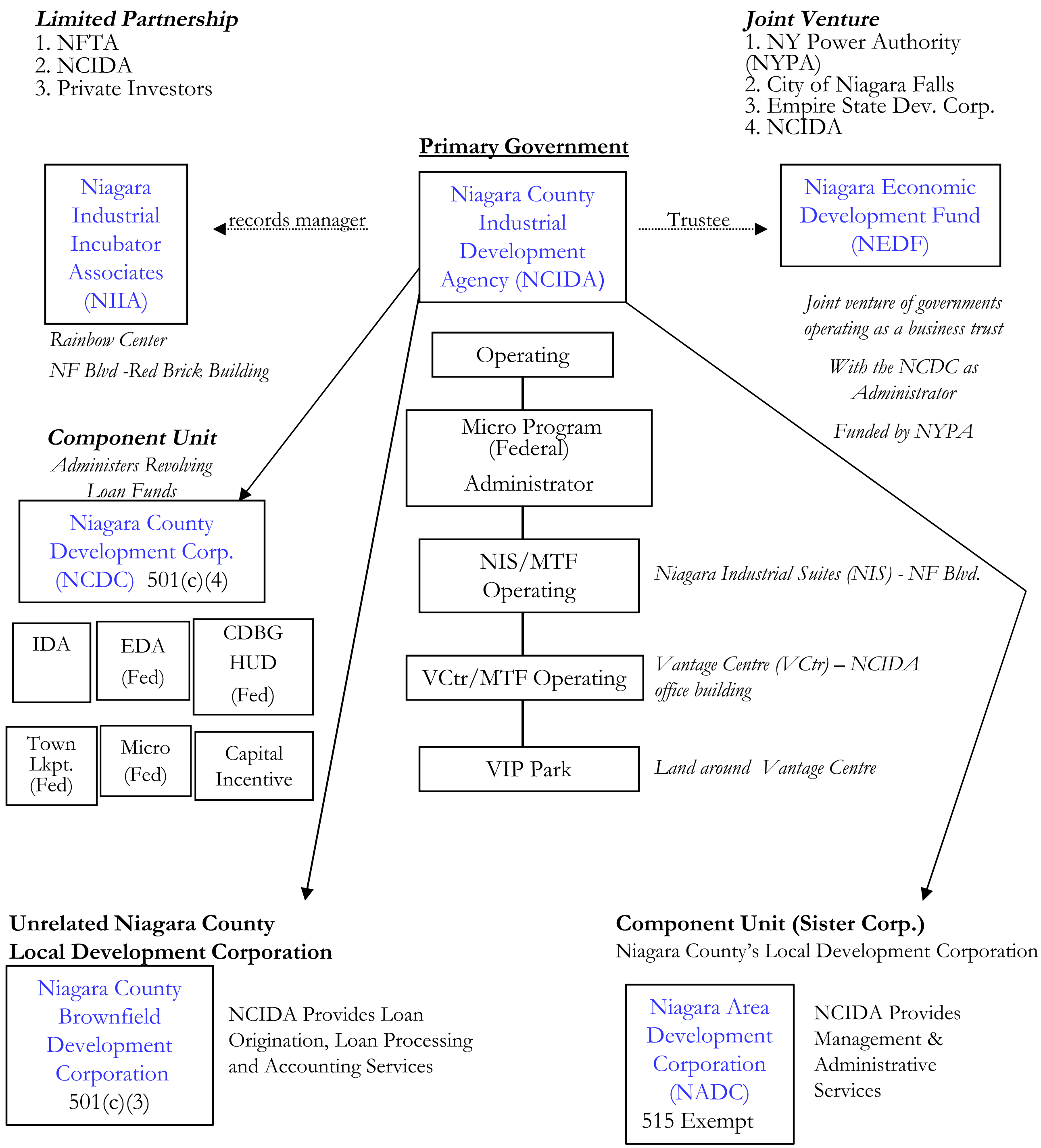
For the past several years, the Niagara County Center for Economic Development has been building a marketing and development campaign with particular emphasis on attracting Canadian companies to establish branch operations within the County. At the end of December 2010, NCIDA's Assistant Director retired 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 include 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
Henry M. Sioma, Chairperson
Samuel M. Ferraro, Executive Director/Treasurer

NCIDA, NCDC AND NADC CORPORATE STRUCTURE

EXHIBIT I



IRB AND LOAN PORTFOLIO PROJECTS
Exhibit II

2013 NCIDA Closed Industrial Revenue Bond and Leaseback Projects

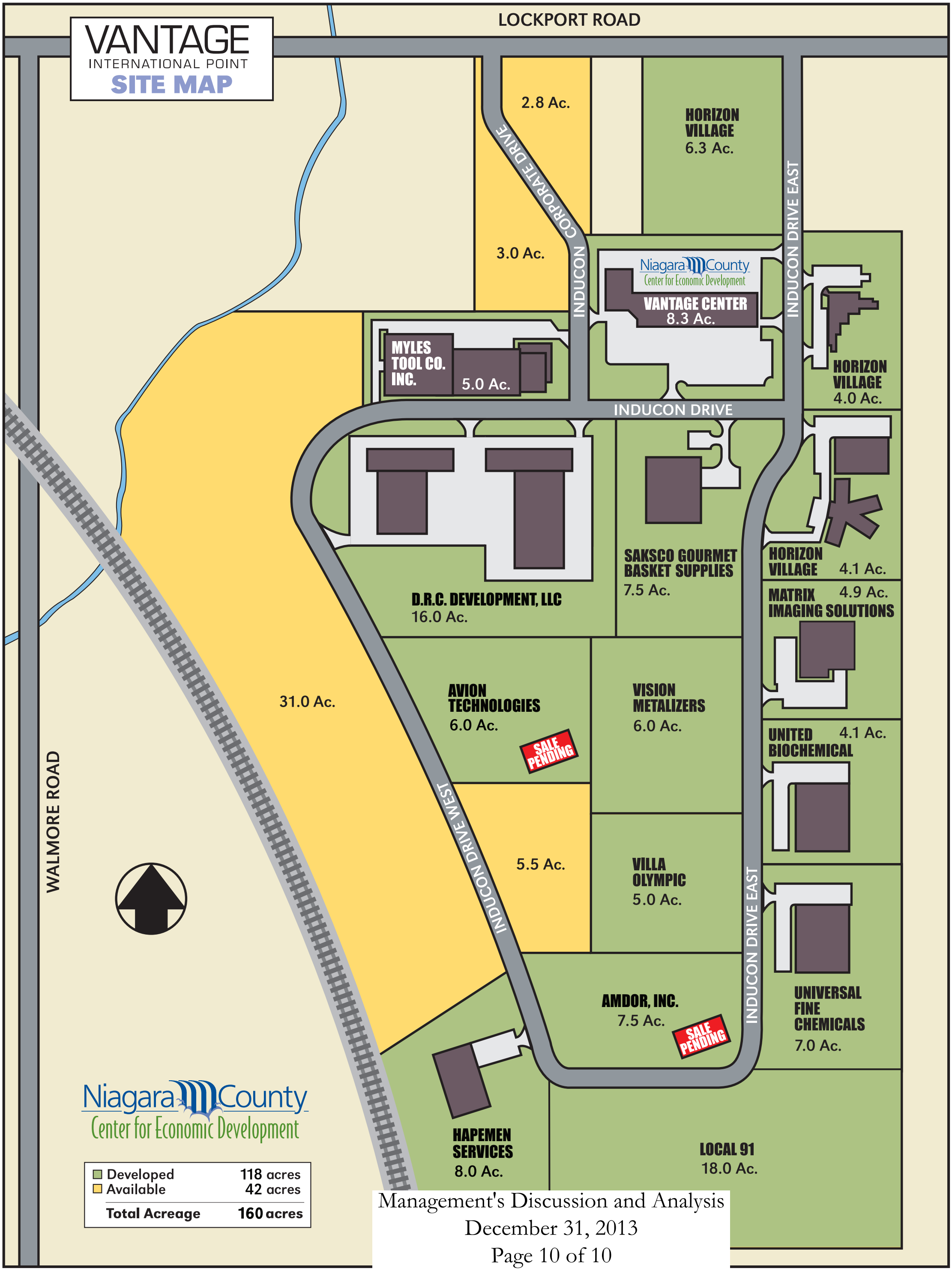
Company	Project Description	Location	Amount of IDA Project	Jobs Retained	Jobs Created
210 Walnut Street	Renovation of facility for Trek Industries	City of Lockport	$5,275,000	0	98
Diversified Manufacturing	Expansion of Manufacturing Facility	City of Lockport	$4,794,000	145	10
Falls Hotel	Construction of Hampton Inn	Niagara Falls	$6,242,000	0	18
Geise Properties	Renovation of "Old City Hall"	City of Lockport	$200,000	0	20
KiPo Motors	Expansion of Auto Dealership	Ransomville	$1,537,845	23	6
Lake Effect Ice Cream	Renovation of facility for ice cream production	City of Lockport	$210,600	7	7
Maid of the Mist (Comfort Inn)	Renovation of Comfort Inn at the Pointe	Niagara Falls	$4,000,000	40	3
Niagara Jet Adventures	Boat Tours	Youngstown	$898,000	0	11
Plati Niagara	Construction of new hotel	Niagara Falls	$9,605,000	0	28
SAI Lodging	Construction of new hotel	Niagara Falls	$6,000,000	1	14
SOPS	Expansion of production facility	Town of Newfane	$3,483,000	54	12
Sustainable Bioelectric	Construction of renewable energy facility	Town of Wheatfield	$4,134,000	0	7

2013 NCDC Loans

Angel to Apple	Lewiston	$22,000	1	2
Diversified Manufacturing, Inc.	Lockport	$400,000	101	0
Griffin Chemical	North Tonawanda	$45,000	5	6
Lower Town Laundry & Mini Mart	Lockport	$25,000	1	3
Woodcock Brothers Brewing	Wilson	$275,000	4	26

2013 NEDF Projects

421 Third Street	Niagara Falls	$20,000	0	5


LOCKPORT ROAD
VANTAGE
INTERNATIONAL POINT
SITE MAP
2.8 Ac.
HORIZON VILLAGE
6.3 Ac.
CORPORATE DRIVE
3.0 Ac.
INDUCON
Niagara County
Center for Economic Development
VANTAGE CENTER
8.3 Ac.
INDUCON DRIVE EAST
HORIZON VILLAGE
4.0 Ac.
MYLES TOOL CO. INC.
5.0 Ac.
INDUCON DRIVE
SAKSCO GOURMET BASKET SUPPLIES
7.5 Ac.
HORIZON VILLAGE
4.1 Ac.
D.R.C. DEVELOPMENT, LLC
16.0 Ac.
MATRIX IMAGING SOLUTIONS
4.9 Ac.
31.0 Ac.
AVION TECHNOLOGIES
6.0 Ac.
SALE PENDING
VISION METALIZERS
6.0 Ac.
UNITED BIOCHEMICAL
4.1 Ac.
WALMORE ROAD
INDUCON DRIVE WEST
5.5 Ac.
VILLA OLYMPIC
5.0 Ac.
UNIVERSAL FINE CHEMICALS
7.0 Ac.
AMDOR, INC.
7.5 Ac.
SALE PENDING
INDUCON DRIVE EAST
Niagara County
Center for Economic Development
HAPEMEN SERVICES
8.0 Ac.
LOCAL 91
18.0 Ac.
Developed 118 acres
Available 42 acres
Total Acreage 160 acres

Balance Sheets

December 31, 2013
(with summarized comparative totals as of December 31, 2012)

	Primary Government Business-Type Activity	Component Unit Niagara County Development Corporation (Not-for-Profit)	Total Blended	Total 2012 Summarized
Assets				
Current assets:				
Cash				
Unrestricted	$ 1,565,779	$ 1,832,095	$ 3,397,874	$ 4,051,217
Restricted	146,997	-	146,997	120,604
Accounts receivable				
Trade	12,095	100	12,195	5,187
Internal balances	48,579	(48,579)	-	-
Prepaid expenses	48,368	-	48,368	56,343
Loans receivable (Note 3)	43,400	320,511	363,911	361,047
	1,865,218	2,104,127	3,969,345	4,594,398
Noncurrent assets:				
Loans receivable, net (Note 3)	55,800	1,646,281	1,702,081	1,407,978
Capital assets, net (Note 4)	4,508,555	-	4,508,555	4,714,481
Investment in affiliate (Note 5)	30,000	-	30,000	30,000
	4,594,355	1,646,281	6,240,636	6,152,459
	$ 6,459,573	$ 3,750,408	$ 10,209,981	$ 10,746,857
Liabilities and Net Position				
Current liabilities:				
Accounts payable	$ 114,336	$ 4,070	$ 118,406	$ 78,106
Due to other governments	73,865	-	73,865	15,517
Current portion of long-term obligations				
Due others (Note 6)	74,400	-	74,400	80,932
Due affiliates	-	-	-	1,976
Internal balances	22,553	(22,553)	-	-
Due to retirement system	-	-	-	6,645
Unearned revenue	45,000	-	45,000	45,000
Security deposits	31,409	-	31,409	15,168
	361,563	(18,483)	343,080	243,344
Long-term obligations:				
Due others (Note 6)	55,800	-	55,800	93,000
Internal balances	144,448	(144,448)	-	-
Due to retirement system	-	-	-	154,280
	200,248	(144,448)	55,800	247,280
	561,811	(162,931)	398,880	490,624
Net position:				
Net investment in capital assets	4,508,555	-	4,508,555	4,714,481
Restricted	-	3,429,592	3,429,592	3,461,316
Unrestricted	1,389,207	483,747	1,872,954	2,080,436
	5,897,762	3,913,339	9,811,101	10,256,233
	$ 6,459,573	$ 3,750,408	$ 10,209,981	$ 10,746,857

See accompanying notes.

Statements of Revenues, Expenses, and Changes in Net Position

For the year ended December 31, 2013
(with summarized comparative totals for December 31, 2012)

	Primary Government Business-Type Activity	Component Unit Niagara County Development Corporation (Not-for-Profit)	Total Blended	Total 2012 Summarized
Operating revenues:				
Fees	$ 396,360	$ 4,250	$ 400,610	$ 1,190,115
Program income	-	85,066	85,066	76,999
Grants from federal, state and local governments	-	-	-	400,000
Rental income and common area charges	418,464	-	418,464	463,989
Occupancy income	27,387	-	27,387	27,387
Administrative fees from affiliates	114,278	(48,400)	65,878	78,167
Miscellaneous	2,462	600	3,062	109,094
Total operating revenues	958,951	41,516	1,000,467	2,345,751
Operating expenses:				
Personnel services	470,725	-	470,725	478,811
Contractual expenses	202,918	8,098	211,016	294,628
Occupancy	242,849	-	242,849	198,205
Program and related expenses	-	46,410	46,410	33,512
Employee benefits	245,819	-	245,819	430,819
Interest expense	14,873	(9,592)	5,281	22,654
Provision for uncollectible loans	-	30,431	30,431	208,635
Depreciation	207,311	-	207,311	207,475
Total operating expenses	1,384,495	75,347	1,459,842	1,874,739
Operating gain (loss)	(425,544)	(33,831)	(459,375)	471,012
Nonoperating revenues (expenses):				
Grants from state and local governments	-	-	-	846,006
Investment income	2,590	1,418	4,008	5,398
Income from investment in affiliated organization	83,750	-	83,750	102,175
Grants to subrecipients	-	-	-	(812,721)
Total nonoperating revenues	86,340	1,418	87,758	140,858
Gain (loss)	(339,204)	(32,413)	(371,617)	611,870
Transfer to Niagara Frontier Transportation Authority	(73,515)	-	(73,515)	(15,517)
Net gain (loss)	(412,719)	(32,413)	(445,132)	596,353
Net position - beginning	6,310,481	3,945,752	10,256,233	9,659,880
Net position - ending	$ 5,897,762	$ 3,913,339	$ 9,811,101	$ 10,256,233

See accompanying notes.

Statement of Cash Flows

For the year ended December 31, 2013

	Primary Government Business-Type Activity
Operating activities:	
Cash received from loan and administrative fees	$ 571,830
Cash received from rental, occupancy, and common area charges	462,092
Cash received from other sources	2,462
Payments to employees, suppliers, and other	(1,276,131)
Payments for interest	(14,873)
Net operating activities	(254,620)
Capital and related financing activities:	
Purchases of equipment	(1,385)
Loan payments to third parties	(43,732)
Net capital and related financing activities	(45,117)
Investing activities:	
Cash received from investment in affiliate	83,750
Payments made to affiliates	(40,344)
Cash payments to Niagara Frontier Transportation Authority	(15,517)
Interest income	2,590
Net investing activities	30,479
Net change in cash	(269,258)
Cash - beginning	1,982,034
Cash - ending	$ 1,712,776
Reconciliation of operating gain to net cash flows from operating activities:	
Operating loss	$ (425,544)
Adjustments to reconcile operating loss to net cash flows from operating activities:	
Depreciation	207,311
Changes in other current assets and liabilities:	
Accounts receivable and other assets	69,167
Accounts payable and other liabilities	(105,554)
Net operating activities	$ (254,620)

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.

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 accounting standards, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following entities are included in the Agency's 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 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 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. 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 accounting standards, 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, 2013, 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 or, in the case of NCDC, amounts represent revolving loan funds from the U.S. Economic Development Administration (EDA) and the U.S. Department of Housing and Urban Development (HUD).
- *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 or NCDC.

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.

3. Loans Receivable:

Agency:		
Note receivable from third party for repayment of loan to State Department of Transportation (Note 6)	**$**	**99,200**
Less current portion		**43,400**
	$	**55,800**

NCDC:		
Various notes receivable from companies with operations in Niagara County, due in aggregate monthly installments of approximately $23,900 plus interest at rates ranging from 3.0% to 6.8%, generally secured by secondary position on assets and personal guarantees, due through December 2020.	**$**	**2,312,169**
Less allowance for uncollectible loans		**345,377**
Less current portion		**320,511**
	$	**1,646,281**

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 $138,132 and $156,691 at December 31, 2013 and 2012.

These programs consist of the following:

- *EDA revolving loan account* – established through federal grants from the EDA and transferred from the Agency pursuant to an agreement dated July 16, 1992.
- *HUD revolving loan account* – established through federal grants from 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 residents with low to moderate income 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, 2013	Increases	Retirements / Reclassifications	Balance December 31, 2013
Non-depreciable capital assets:				
Land	$ 7,410	$ -	$ -	$ 7,410
Depreciable capital assets:				
Land improvements	81,219	1,385	-	82,604
Buildings	7,180,711	-	-	7,180,711
Furniture and equipment	244,282	-	-	244,282
Infrastructure	110,097	-	-	110,097
Total depreciable assets	7,616,309	1,385	-	7,617,694
Less accumulated depreciation:				
Land improvements	61,371	1,360	-	62,731
Buildings	2,617,143	190,454	-	2,807,597
Furniture and equipment	214,289	9,777	-	224,066
Infrastructure	16,435	5,720	-	22,155
Total accumulated depreciation	2,909,238	207,311	-	3,116,549
Total depreciable assets, net	4,707,071	(205,926)	-	4,501,145
	$ 4,714,481	**$ (205,926)**	**$ -**	**$ 4,508,555**

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	**$ 130,200**
Less current portion	**74,400**
	$ 55,800

Aggregate maturities on long-term debt subsequent to December 31, 2013 are:

2014	$ 74,400
2015	55,800
	$ 130,200

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 bearing 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, 2013, interest amounted to $8,936. The balance outstanding on this loan as of December 31, 2013 was $167,001.

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. The remaining balance was paid during 2013. For the year ended December 31, 2013, interest in the amount of $656 has been recognized.

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 (Note 3) and submitting them to the State. Amounts outstanding under this loan total $130,200 at December 31, 2013.

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, 2013 amounted to $26,802 and $5,255, 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 and was fully repaid in 2013.

No employee contribution is required for those hired prior to July 1976. 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 on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation.

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
2013	$ 73,054	16.7-28.5%
2012	102,861	9.9-25.2%
2011	57,593	12.6-21.3%

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, 2013.

During 2013, 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.

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 and appropriately eliminated for total blended presentation.

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 $46,379,000 in 2013.

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 outstanding but not yet paid by NCDC total $30,000 at December 31, 2013.

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, 2013
(with summarized comparative totals as of December 31, 2012)

	Operating	Multi-Tenant Facility Operating	VIP Multi-Tenant Operating	Total	Total 2012 Summarized
Assets					
Current assets:					
Cash					
Unrestricted	$ 1,035,601	$ 388,837	$ 141,341	$ 1,565,779	$ 1,861,430
Restricted	45,000	22,015	79,982	146,997	120,604
Accounts receivable					
Trade	11,627	-	468	12,095	5,087
Internal balances	48,579	-	-	48,579	50,416
Prepaid expenses	28,214	5,730	14,424	48,368	56,343
Due from other operating units	610,326	-	-	610,326	550,336
Loans receivable	43,400	-	-	43,400	74,400
	1,822,747	416,582	236,215	2,475,544	2,718,616
Noncurrent assets:					
Loans receivable, net	55,800	-	-	55,800	93,000
Capital assets, net	19,274	1,386,868	3,102,413	4,508,555	4,714,481
Investment in affiliate	30,000	-	-	30,000	30,000
	105,074	1,386,868	3,102,413	4,594,355	4,837,481
	$ 1,927,821	$ 1,803,450	$ 3,338,628	$ 7,069,899	$ 7,556,097
Liabilities and Net Position					
Current liabilities:					
Accounts payable	$ 62,673	$ 37,596	$ 14,067	$ 114,336	$ 75,556
Due to other governments	350	73,515	-	73,865	15,517
Current portion of long-term obligations					
Due others	74,400	-	-	74,400	80,932
Due affiliates	-	-	-	-	1,976
Internal balances	-	22,553	-	22,553	40,205
Due to retirement system	-	-	-	-	6,645
Unearned revenue	45,000	-	-	45,000	45,000
Security deposits	-	22,015	9,394	31,409	15,168
Due to other operating units	-	76,613	533,713	610,326	550,336
	182,423	232,292	557,174	971,889	831,335
Long-term obligations:					
Due others	55,800	-	-	55,800	93,000
Internal balances	-	144,448	-	144,448	167,001
Due to retirement system	-	-	-	-	154,280
	55,800	144,448	-	200,248	414,281
	238,223	376,740	557,174	1,172,137	1,245,616
Net position:					
Net investment in capital assets	19,274	1,386,868	3,102,413	4,508,555	4,714,481
Unrestricted (deficit)	1,670,324	39,842	(320,959)	1,389,207	1,596,000
	1,689,598	1,426,710	2,781,454	5,897,762	6,310,481
	$ 1,927,821	$ 1,803,450	$ 3,338,628	$ 7,069,899	$ 7,556,097

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

For the year ended December 31, 2013
(with summarized comparative totals for December 31, 2012)

	Operating	Multi-Tenant Facility Operating	VIP Multi-Tenant Operating	Total	Total 2012 Summarized
Operating revenues:					
Fees	$ 396,360	$ -	$ -	$ 396,360	$ 1,185,803
Rental income and common area charges	955	284,505	133,004	418,464	463,989
Occupancy income	27,387	-	-	27,387	27,387
Administrative fees from affiliates	114,278	-	-	114,278	128,432
Miscellaneous	12	2,450	-	2,462	107,694
Total operating revenues	538,992	286,955	133,004	958,951	1,913,305
Operating expenses:					
Personnel services	470,725	-	-	470,725	478,811
Contractual expenses	181,156	5,914	15,848	202,918	285,729
Occupancy	42,462	83,481	116,906	242,849	198,205
Employee benefits	245,819	-	-	245,819	430,819
Interest expense	5,223	8,994	656	14,873	34,038
Depreciation	9,744	85,090	112,477	207,311	207,475
Total operating expenses	955,129	183,479	245,887	1,384,495	1,635,077
Operating gain (loss)	(416,137)	103,476	(112,883)	(425,544)	278,228
Nonoperating revenues (expenses):					
Grants from state and local governments	-	-	-	-	846,006
Investment income	1,927	320	343	2,590	2,625
Income from investment in affiliated organization	83,750	-	-	83,750	102,175
Income from joint venture	73,515	(73,515)	-	-	-
Grants to subrecipients	-	-	-	-	(812,721)
Total nonoperating revenues (expenses)	159,192	(73,195)	343	86,340	138,085
Gain (loss)	(256,945)	30,281	(112,540)	(339,204)	416,313
Transfer to Niagara Frontier Transportation Authority	-	(73,515)	-	(73,515)	(15,517)
Transfer from NCDC	-	-	-	-	749,028
Net gain (loss)	(256,945)	(43,234)	(112,540)	(412,719)	1,149,824
Net position - beginning	1,946,543	1,469,944	2,893,994	6,310,481	5,160,657
Net position - ending	$ 1,689,598	$ 1,426,710	$ 2,781,454	$ 5,897,762	$ 6,310,481

Supplementary Information
Schedules of Intra-Agency Operating Expenses

For the year ended December 31, 2013
(with summarized comparative totals for December 31, 2012)

	Operating	Multi-Tenant Facility Operating	VIP Multi-Tenant Operating	Total	Total 2012 Summarized
Contractual expenses:					
Marketing	$ 43,123	$ -	$ -	$ 43,123	$ 58,363
Conferences and travel	1,238	-	-	1,238	2,566
Postage	3,959	-	-	3,959	3,054
Office supplies and expense	11,305	31	13	11,349	9,360
Printing	1,645	-	-	1,645	2,666
Telephone and internet	9,383	-	-	9,383	10,501
Library and memberships	1,443	-	-	1,443	1,411
Professional fees	77,574	-	1,000	78,574	148,318
Insurance	20,791	5,883	14,835	41,509	37,952
Computer consulting	10,645	-	-	10,645	11,201
Miscellaneous	50	-	-	50	337
	$ 181,156	$ 5,914	$ 15,848	$ 202,918	$ 285,729

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended December 31, 2013

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	$ 1,299,348
U.S. Department of Commerce:			
Passed through Niagara County			
Economic Adjustment Assistance	11.307	Various	834,135
Total Expenditures of Federal Awards			$ 2,133,483

See accompanying notes.

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies:

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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 SEFA.

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

The Economic Adjustment Assistance program specifically requires the amount on the SEFA to be calculated as follows:

EDA grants	$ 700,000
Total revolving loan fund	1,133,334
Total EDA share	61.7647%
Balance of loans outstanding	$ 1,027,188
Cash	299,698
Administrative expenses	23,618
	1,350,504
	61.7647%
	$ 834,135

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.

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, New York 14202

716-856-3300 | Fax 716-856-2524 | www.LumsdenCPA.com

INDEPENDENT AUDITORS' 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*

The Board of Directors
Niagara County Industrial Development Agency

We have audited, in accordance with the 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 balance sheets of Niagara County Industrial Development Agency (the Agency), a business-type activity, and its discretely presented component unit, Niagara County Development Corporation, as of December 31, 2013, and the related statements of revenues, expenses, and changes in net position and cash flows, as applicable, for the year then ended, and have issued our report thereon dated April 9, 2014.

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 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

April 9, 2014

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, New York 14202

716-856-3300 | Fax 716-856-2524 | www.LumsdenCPA.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 (the Entities) 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, 2013. The Entities' 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 its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Entities' 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 Entities' 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 Entities' compliance.

Opinion on Each Major Federal Program

In our opinion, the Entities complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of the Entities 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 Entities' 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 Entities' 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

April 9, 2014

Schedule of Findings and Questioned Costs

For the year ended December 31, 2013

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	*Unmodified*
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:	*Unmodified*
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
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	$ 1,299,348

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, 2013

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

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, New York 14202

716-856-3300 | Fax 716-856-2524 | www.LumsdenCPA.com

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 balance sheet of Niagara County Industrial Development Agency (the Agency), a business-type activity, and its discretely presented component unit, as of December 31, 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and we have issued our report thereon dated April 9, 2014.

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, 2013. 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

April 9, 2014