

**BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
A COMPONENT UNIT OF
COUNTY OF ERIE, NEW YORK**

FINANCIAL STATEMENTS

DECEMBER 31, 2013

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo and Erie County Industrial
Land Development Corporation

We have audited the accompanying balance sheets of Buffalo and Erie County Industrial Land Development Corporation (ILDC), a business-type activity and a component unit of County of Erie, as of December 31, 2013 and 2012 and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended. We have also audited ILDC's internal control over financial reporting as of December 31, 2013, based on *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for the Financial Statements and Internal Control Over Financial Reporting

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 effective internal control over financial reporting relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to error or fraud. Management is also responsible for its assertion about the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on ILDC's internal control over financial reporting based on our audits. We conducted our audits of the financial statements 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 and our audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements 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. An audit of financial statements 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. An audit of internal control over financial reporting involves obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing other such procedures as we considered necessary in the circumstances.

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

Definitions and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ILDC as of December 31, 2013 and 2012 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also in our opinion, ILDC maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on *Internal Control – Integrated Framework* issued by the COSO.

Other Matters

Management's Discussion and Analysis

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing 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. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

The supplementary information on pages 11 and 12 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 February 24, 2014 on our consideration of ILDC'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 ILDC's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

February 24, 2014



MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Buffalo and Erie County Industrial Land Development Corporation's (ILDC) (a component unit of County of Erie) internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting. Management assessed the effectiveness of ILDC's internal control over financial reporting as of December 31, 2013, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*. Based on that assessment, management concluded that, as of December 31, 2013, ILDC's internal control over financial reporting is effective based on the criteria established in *Internal Control – Integrated Framework*.

Buffalo and Erie County Industrial Land Development Corporation
February 24, 2014

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)

Balance Sheets

December 31,	2013	2012
Assets		
Current assets:		
Cash	\$ 194,664	\$ 132,925
Loans receivable (Note 2)	46,739	66,839
	241,403	199,764
Non-current portion of loans receivable (Note 2):		
Loans receivable	84,750	128,894
Allowance for uncollectible loans	(29,471)	(39,156)
	55,279	89,738
	\$ 296,682	\$ 289,502
 Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 405	\$ 61
Due to affiliate (Note 3)	2,612	2,281
	3,017	2,342
 Net position:		
Restricted	206,848	200,737
Unrestricted	86,817	86,423
	293,665	287,160
	\$ 296,682	\$ 289,502

See accompanying notes.

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended December 31,	2013	2012
Operating revenues:		
Administrative fees	\$ 237,721	\$ 105,250
Interest from loans	4,276	5,801
Application fees	-	30
Total operating revenues	241,997	111,081
Operating expenses:		
Transfer to ECIDA	237,721	105,250
General and administrative	7,470	3,987
Provision for uncollectible loans (recoveries)	(9,685)	2,724
Total operating expenses	235,506	111,961
Operating income (loss)	6,491	(880)
Nonoperating revenue:		
Interest	14	10
Change in net position	6,505	(870)
Net position - beginning	287,160	288,030
Net position - ending	\$ 293,665	\$ 287,160

See accompanying notes.

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)

Statements of Cash Flows

For the years ended December 31,	2013	2012
Operating activities:		
Administrative and application fees	\$ 237,721	\$ 105,280
Principal and interest on loans	68,520	75,462
Loans awarded	-	(37,094)
Payments to vendors	(244,516)	(116,147)
Net operating activities	61,725	27,501
Investing activities:		
Interest income	14	10
Change in cash	61,739	27,511
Cash - beginning	132,925	105,414
Cash - ending	\$ 194,664	\$ 132,925
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income (loss)	\$ 6,491	\$ (880)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Provision for uncollectible loans (recoveries)	(9,685)	2,724
Changes in other assets and liabilities:		
Loans receivable	64,244	32,567
Accounts payable	344	(3)
Due to affiliate	331	(6,907)
Net operating activities	\$ 61,725	\$ 27,501

See accompanying notes.

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization:

Buffalo and Erie County Industrial Land Development Corporation (ILDC) was incorporated for the purpose of participating in the acquisition and development of industrial sites and to provide financial assistance for the acquisition or renovation of fixed assets by industrial companies locating or expanding in the County of Erie (the County). ILDC manages a number of revolving loan programs each of which is dedicated to improving economic conditions in part or all of the County. Each revolving loan program is maintained under an agreement or an established loan administration plan approved by the grantor governing the management of the revolving loan programs.

ILDC has related party relationships with Erie County Industrial Development Agency (ECIDA) and Buffalo and Erie County Regional Development Corporation (RDC). All three entities are managed by the same personnel. These entities share the same mission, which is to provide resources that encourage investment, innovation, growth and global competitiveness thereby creating a successful business climate that benefits the residents of the region.

In accordance with accounting standards, ILDC is considered a component unit of the County. The County, acting by and through the County Executive, is the sole member of ILDC and is financially accountable for it; as a result, ILDC is included in the financial statements of the County as a discretely presented component unit.

Basis of Presentation:

The financial statements 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.

Measurement Focus:

ILDC 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. ILDC'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.

ILDC'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 ILDC's interest 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 New York State (the State) laws and as established in ILDC'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.

Custodial credit risk is the risk that, in the event of a bank failure, ILDC's deposits may not be returned to it. At December 31, 2013, ILDC's bank deposits were fully collateralized by FDIC coverage.

Loans Receivable:

Loans receivable are stated at the principal amount outstanding, net of an allowance for uncollectible loans. 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 loans 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 management adjusts a loan reserve to 50% or more of the loan's outstanding balance.

Net Position:

- *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 ILDC.

Tax-Exempt Bond Transactions:

ILDC is an issuer of tax-exempt bond financing for not-for-profit entities. These bonds are obligations of the borrower. Since ILDC has no obligation to repay the principal and interest of such bonds, they are not reflected as liabilities in the accompanying financial statements. ILDC receives bond issuance fees from the borrower for providing this service. ILDC also has a shared services agreement with ECIDA under which administrative and staffing services are provided to ILDC in connection with bond issuances in exchange for the related bond issuance fees received by ILDC. Bond issuance fees are recognized immediately upon issuance of the related bond. The original value of tax-exempt bonds issued by ILDC aggregated approximately \$24,000,000 and \$11,000,000 in 2013 and 2012.

Income Taxes:

ILDC is a 501(c)(3) organization exempt from income taxes under §501(a) of the Internal Revenue Code. Management believes ILDC is no longer subject to examination by Federal taxing authorities for years ended prior to December 31, 2010.

2. Loans Receivable:

The revolving loan programs were originally funded through the Erie County Business Development Fund (Erie County BDF) and the United States Small Business Administration (SBA Microloan). Assets maintained in the Erie County BDF are restricted pursuant to original grant terms.

Loans made to local businesses from the Erie County BDF and SBA Microloan programs complement private financing at interest rates ranging from 2% to 6.875% with varying repayment terms. All loans are classified as commercial loans. The following is a summary of the loans receivable:

	<u>2013</u>	<u>2012</u>
Current status	\$ 102,018	\$ 161,707
30-90 days past due	-	-
Non-accrual	<u>29,471</u>	<u>34,026</u>
	131,489	195,733
Less allowance	29,471	39,156
Less current portion	<u>46,739</u>	<u>66,839</u>
	<u>\$ 55,279</u>	<u>\$ 89,738</u>

Following is a summary of the activity in the allowance for uncollectible loans:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 39,156	\$ 36,432
Additions charged to operations	-	9,645
Recoveries	(9,685)	(6,921)
Write-offs	-	-
	<u>\$ 29,471</u>	<u>\$ 39,156</u>

3. Related Party Transactions:

Personnel and Overhead Costs:

ECIDA allocates a portion of its personnel and overhead costs to ILDC which amounted to \$2,351 and \$2,021 in 2013 and 2012. The amount outstanding to ECIDA at December 31, 2013 and 2012 related to these costs amounted to \$2,612 and \$2,281.

Shared Services – Administrative Fees:

ILDC has a shared services agreement with ECIDA under which administrative and staffing services are provided to ILDC in connection with bond issuances in exchange for the administrative fees received by ILDC related to these bond transactions. ILDC transferred \$237,721 and \$105,250 in administrative fees to ECIDA in 2013 and 2012, respectively.

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)

Supplementary Information
Schedule of Balance Sheets - By Revolving Loan Program

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

	Operating	Erie County BDF Program	SBA Microloan Program	Total	
				2013	2012
Assets					
Current assets:					
Cash	\$ -	\$ 120,356	\$ 74,308	\$ 194,664	\$ 132,925
Loans receivable	-	42,351	4,388	46,739	66,839
	-	162,707	78,696	241,403	199,764
Non-current portion of loans receivable:					
Loans receivable	-	76,404	8,346	84,750	128,894
Allowance for uncollectible loans	-	(29,471)	-	(29,471)	(39,156)
	-	46,933	8,346	55,279	89,738
	\$ -	\$ 209,640	\$ 87,042	\$ 296,682	\$ 289,502
Liabilities and Net Position					
Current liabilities:					
Accounts payable	\$ -	\$ 180	\$ 225	\$ 405	\$ 61
Due to affiliate	-	2,612	-	2,612	2,281
	-	2,792	225	3,017	2,342
Net position:					
Restricted	-	206,848	-	206,848	200,737
Unrestricted	-	-	86,817	86,817	86,423
	-	206,848	86,817	293,665	287,160
	\$ -	\$ 209,640	\$ 87,042	\$ 296,682	\$ 289,502

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)

Supplementary Information
Schedule of Revenues, Expenses, and Changes in Net Position - By Revolving Loan Program

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

	Operating	Erie County BDF Program	SBA Microloan Program	Total	
				2013	2012
Operating revenues:					
Administrative fees	\$ 237,721	\$ -	\$ -	\$ 237,721	\$ 105,250
Interest from loans	-	2,973	1,303	4,276	5,801
Application fees	-	-	-	-	30
Total operating revenues	237,721	2,973	1,303	241,997	111,081
Operating expenses:					
Transfer to ECIDA	237,721	-	-	237,721	105,250
General and administrative	-	4,270	3,200	7,470	3,987
Provision for uncollectible loans (recoveries)	-	(7,408)	(2,277)	(9,685)	2,724
Total operating expenses	237,721	(3,138)	923	235,506	111,961
Operating income (loss)	-	6,111	380	6,491	(880)
Nonoperating revenue:					
Interest	-	-	14	14	10
Change in net position	-	6,111	394	6,505	(870)
Net position - beginning	-	200,737	86,423	287,160	288,030
Net position - ending	\$ -	\$ 206,848	\$ 86,817	\$ 293,665	\$ 287,160

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
Buffalo and Erie County Industrial
Land Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Buffalo and Erie County Industrial Land Development Corporation (ILDC), a business-type activity and a component unit of County of Erie, New York, which comprise the balance sheet 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 the related notes to the financial statements, and have issued our report thereon dated February 24, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ILDC'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ILDC's internal control. Accordingly, we do not express an opinion on the effectiveness of ILDC'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 ILDC'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 ILDC'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

February 24, 2014

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

The Board of Directors
Buffalo and Erie County Industrial
Land Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Buffalo and Erie County Industrial Land Development Corporation (ILDC), a business-type activity and a component unit of County of Erie, New York, which comprise the balance sheet 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 the related notes to the financial statements, and we have issued our report thereon dated February 24, 2014.

In connection with our audit, nothing came to our attention that caused us to believe that ILDC 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 ILDC'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

February 24, 2014