NIAGARA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2014

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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December 31, 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

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, 2014, 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.

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, 2014, 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 March 11, 2015 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

March 11, 2015

BACKGROUND

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). As a public benefit corporation, NCIDA is required to comply with accounting standards issued by the Governmental Accounting Standards Board (GASB). Under GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, NCIDA is required to present management's discussion and analysis (MD&A) to assist readers in understanding NCIDA's financial performance.

At the time of its creation, the primary economic development tool of NCIDA was the industrial revenue bond. Throughout the years, NCIDA received various grants from the U.S. Department of Housing and Urban Development (HUD) to establish Revolving Loan Funds. The loan funds grew as additional grants from the U.S. Economic Development Administration and other sources helped to further capitalize it in ensuing years. 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 blended 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, 2014 that express an unmodified opinion.

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-profit organizations. 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. 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 units, NCDC and NADC, 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, 2014. We encourage readers to consider the information presented here in conjunction with NCIDA's audited financial statements.

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 - report 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 - report NCIDA's operating and nonoperating revenues by major source, along with operating and nonoperating expenses.

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

The following table summarizes NCIDA's financial position at December 31, 2014 and 2013:

			Change	
	2014	**2013**	**$**	**%**
Current assets	**$ 4,393,000**	$ 3,969,000	$ 424,000	11%
Noncurrent assets	**5,625,000**	6,241,000	(616,000)	-10%
Total assets	**$ 10,018,000**	$ 10,210,000	$ (192,000)	-2%
Current liabilities	**$ 369,000**	$ 344,000	$ 25,000	7%
Noncurrent liabilities	**-**	55,000	(55,000)	-100%
Total liabilities	**369,000**	399,000	(30,000)	-8%
Total net position	**$ 9,649,000**	$ 9,811,000	$ (162,000)	-2%

- Current assets increased by $424,000, or 11%, primarily due to an increase in cash. The increase is primarily the result of the repayment of loans received by NCDC for the year ended December 31, 2014.

- Noncurrent assets decreased by $616,000, or 10%, due to the net decrease in loans receivable noted above and a decrease in net capital assets of $204,000. See page 4 of this MD&A for additional analysis of capital assets.

- Total liabilities decreased by $30,000, or 8%, primarily due to repayment of a pass-through loan provided by New York State Department of Transportation. See page 5 of this MD&A for details on this agreement.

The following table summarizes NCIDA's changes in net position for the years ended December 31, 2014 and 2013:

	2014	2013	Change $	Change %
Operating revenues:				
Admin fees, program, rental income	**$ 1,148,000**	$ 904,000	$ 244,000	**27%**
Other income	**143,000**	97,000	46,000	**47%**
Total operating revenues	**1,291,000**	1,001,000	290,000	**29%**
Operating expenses:				
Salaries, benefits, contractual, occupancy	**1,241,000**	1,217,000	24,000	**2%**
Depreciation, interest, bad debts	**208,000**	243,000	(35,000)	**-14%**
Total operating expenses	**1,449,000**	1,460,000	(11,000)	**-1%**
Operating loss	**(158,000)**	(459,000)	301,000	**-66%**
Nonoperating revenues:				
Affiliate organization income	**68,000**	84,000	(16,000)	**-19%**
Investment income	**1,000**	4,000	(3,000)	**-75%**
Total nonoperating revenues	**69,000**	88,000	(19,000)	**-22%**
Transfers to NFTA	**(73,000)**	(74,000)	1,000	**-1%**
Change in net position	**(162,000)**	(445,000)	283,000	**-64%**
Beginning net position	**9,811,000**	10,256,000	(445,000)	**-4%**
Ending net position	**$ 9,649,000**	$ 9,811,000	$ (162,000)	**-2%**

- Operating revenues increased $290,000, or 29%, due to an increase in project closings during 2014, resulting in increased fees of $221,000. Rental income increased $24,000 as a new tenant occupied 2 suites beginning in May 2014. Other income includes a $15,000 gain on sale of land located at Vantage International Pointe.

- Operating expenses were consistent as annual salary raises were offset by a decrease in interest expense of $5,000 due to repayment of debt and no provision for bad debts was necessary in 2014. Bad debt expense for 2013 was $30,000.

- Nonoperating revenues are primarily from affiliate organization income from Niagara Industrial Incubators Association (NIIA). These distributions are based on the annual activity at NIIA and decreased from the prior year.

- Transfers to NFTA were consistent and are based on the results of operations of Niagara Industrial Suites. Annual transfers are required based on the lease agreement between NFTA and NCIDA.

LEASEBACK, IRB PROJECTS AND LOAN PORTFOLIO TRANSACTIONS

NCIDA's and NADC's leaseback projects and industrial revenue bond (IRB) programs closed fourteen projects in 2014 inclusive of other projects outstanding from prior periods representing $77,337,000 in new capital investments in the County as compared to twelve projects in the prior period representing $46,379,500 in capital investments.

NCDC has six Revolving Loan Funds (RLFs); 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.

For 2014, NCDC's revolving loan activities include two new loans in the amount of $55,000, a decrease from 2013 of $712,000.

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 administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

CAPITAL ASSETS

	2014	2013
Land and land improvements	$ 89,000	$ 90,000
Buildings and improvements	7,291,000	7,291,000
Furniture and fixtures	248,000	244,000
	7,628,000	7,625,000
Accumulated depreciation	(3,324,000)	(3,116,000)
	$ 4,304,000	$ 4,509,000

The decrease in capital assets is attributed to $209,000 of depreciation expense and land disposals, offset by $4,000 in minor equipment purchases.

LOAN PAYABLE, NIAGARA COUNTY DEVELOPMENT CORPORATION

NCIDA borrowed funds from NCDC to complete construction of NCIDA's office space within the Niagara Industrial Suites (NIS) Multi-Tenant Facility. The 15 year promissory note bears an interest rate of 5%, with principal and interest payments of $2,533 monthly. At the end of fifteen years, a balloon payment of $95,821 is due and payable, or a mutually acceptable renewal option may be negotiated ninety days prior to the final payment. $144,448 remains outstanding at December 31, 2014 and is further detailed in Note 5 to the financial statements.

LOAN PAYABLE, NEW YORK STATE DEPARTMENT OF TRANSPORTATION

In 2011, NCIDA entered into an agreement with the New York 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 $83,700 as of December 31, 2014 and are further detailed in Note 2 to NCIDA's financial statements. Amounts outstanding under the related loan amounted to $93,000 as of December 31, 2014, which is further detailed in Note 5. 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 2015 is the sale of the remaining 49.8 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, and create employment opportunities for area residents.

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. Sloma, Chairperson
Samuel M. Ferraro, Executive Director/Treasurer

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Balance Sheets

December 31, 2014
(with summarized comparative totals as of December 31, 2013)

	Primary Government Business-Type Activity	Component Unit Niagara County Development Corporation (Not-for-Profit)	Total Blended	Total 2013 Summarized
Assets				
Current assets:				
Cash				
Unrestricted	$ 1,447,094	$ 2,282,922	$ 3,730,016	$ 3,397,874
Restricted	163,811	-	163,811	146,997
Accounts receivable				
Trade	77,761	269	78,030	12,195
Internal balances	46,179	(46,179)	-	-
Prepaid expenses	61,859	-	61,859	48,368
Loans receivable (Note 2)	83,700	276,062	359,762	363,911
	1,880,404	2,513,074	4,393,478	3,969,345
Noncurrent assets:				
Loans receivable, net (Note 2)	-	1,290,659	1,290,659	1,702,081
Capital assets, net (Note 3)	4,304,232	-	4,304,232	4,508,555
Investment in affiliate (Note 4)	30,000	-	30,000	30,000
	4,334,232	1,290,659	5,624,891	6,240,636
	$ 6,214,636	$ 3,803,733	$ 10,018,369	$ 10,209,981
Liabilities and Net Position				
Current liabilities:				
Accounts payable	$ 108,896	$ 10,745	$ 119,641	$ 118,406
Due to other governments	73,125	-	73,125	73,865
Current portion of long-term obligations				
Due others (Note 5)	93,000	-	93,000	74,400
Internal balances	23,707	(23,707)	-	-
Unearned revenue	45,000	-	45,000	45,000
Security deposits	38,178	-	38,178	31,409
	381,906	(12,962)	368,944	343,080
Long-term obligations:				
Due others (Note 5)	-	-	-	55,800
Internal balances	120,741	(120,741)	-	-
	120,741	(120,741)	-	55,800
	502,647	(133,703)	368,944	398,880
Net position:				
Net investment in capital assets	4,304,232	-	4,304,232	4,508,555
Restricted	-	3,455,434	3,455,434	3,429,592
Unrestricted	1,407,757	482,002	1,889,759	1,872,954
	5,711,989	3,937,436	9,649,425	9,811,101
	$ 6,214,636	$ 3,803,733	$ 10,018,369	$ 10,209,981

See accompanying notes.

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Statements of Revenues, Expenses, and Changes in Net Position

For the year ended December 31, 2014
(with summarized comparative totals for December 31, 2013)

	Primary Government Business-Type Activity	Component Unit Niagara County Development Corporation (Not-for-Profit)	Total Blended	Total 2013 Summarized
Operating revenues:				
Fees	$ 624,024	$ -	$ 624,024	$ 400,610
Program income	-	88,452	88,452	85,066
Rental income and common area charges	435,500	-	435,500	418,464
Occupancy income	27,387	-	27,387	27,387
Administrative fees from affiliates	107,316	(46,900)	60,416	65,878
Gain on sale of land	14,274	-	14,274	-
Bad debt recoveries	-	27,502	27,502	-
Miscellaneous	12,214	1,400	13,614	3,062
Total operating revenues	1,220,715	70,454	1,291,169	1,000,467
Operating expenses:				
Personnel services	477,989	-	477,989	470,725
Contractual expenses	267,380	9,934	277,314	211,016
Occupancy	216,872	-	216,872	242,849
Program and related expenses	-	44,402	44,402	46,410
Employee benefits	224,316	-	224,316	245,819
Interest expense	7,929	(7,839)	90	5,281
Provision for uncollectible loans	-	-	-	30,431
Depreciation	207,669	-	207,669	207,311
Total operating expenses	1,402,155	46,497	1,448,652	1,459,842
Operating gain (loss)	(181,440)	23,957	(157,483)	(459,375)
Nonoperating revenues (expenses):				
Investment income	647	140	787	4,008
Income from investment in affiliated organization	68,145	-	68,145	83,750
Total nonoperating revenues	68,792	140	68,932	87,758
Gain (loss)	(112,648)	24,097	(88,551)	(371,617)
Transfer to Niagara Frontier Transportation Authority	(73,125)	-	(73,125)	(73,515)
Net gain (loss)	(185,773)	24,097	(161,676)	(445,132)
Net position - beginning	5,897,762	3,913,339	9,811,101	10,256,233
Net position - ending	$ 5,711,989	$ 3,937,436	$ 9,649,425	$ 9,811,101

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Statement of Cash Flows

For the year ended December 31, 2014

		Primary Government Business-Type Activity
Operating activities:		
Cash received from loan and administrative fees	$	681,817
Cash received from rental, occupancy, and common area charges		469,656
Cash received from other sources		12,214
Payments to employees, suppliers, and other		(1,205,838)
Payments for interest		(7,929)
Cash received from sale of land		15,200
Net operating activities		(34,880)
Capital and related financing activities:		
Purchases of equipment		(4,272)
Loan payments to third parties		(37,200)
Net capital and related financing activities		(41,472)
Investing activities:		
Cash received from investment in affiliate		68,145
Payments made to affiliates		(20,796)
Cash payments to Niagara Frontier Transportation Authority		(73,515)
Interest income		647
Net investing activities		(25,519)
Net change in cash		(101,871)
Cash - beginning		1,712,776
Cash - ending	$	1,610,905
Reconciliation of operating gain to net cash flows from operating activities:		
Operating loss	$	(181,440)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation		207,669
Gain on sale of land		(14,274)
Proceeds from sale of land		15,200
Changes in other current assets and liabilities:		
Accounts receivable and other assets		(63,657)
Accounts payable and other liabilities		1,622
Net operating activities	$	(34,880)

See accompanying notes.

1. Summary of Significant Accounting Policies:

Nature of Organization:

Niagara County Industrial Development Agency (the Agency) is a 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:

<u>**Niagara Area Development Corporation**</u>
(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 for 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, NCDC is reflected as a discretely-presented component unit of the Agency. 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 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 is 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, 2014, the Agency's and NCDC's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's agent in the Agency's and NCDC's names.

Restricted cash includes security deposits and cash whose use is limited by legal requirements.

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.

2. Loans Receivable:

Agency:	
Note receivable from third party for repayment of loan to State Department of Transportation (Note 5)	**$ 83,700**
NCDC:	
Various notes receivable from companies with operations in Niagara County, due in aggregate monthly installments of approximately $23,000 plus interest at rates ranging from 3.0% to 6.8%, generally secured by secondary position on assets and personal guarantees, due through December 2020.	**$ 1,884,477**
Less allowance for uncollectible loans	**317,756**
Less current portion	**276,062**
	$ 1,290,659

NCDC has six revolving loan programs offering low interest commercial loans to area businesses. The programs' original funding was from a variety of sources, including the Agency, EDA, and HUD. The governing board approves loans after giving consideration to the major criteria, including enhancement of the economic environment. Non-accrual loans amounted to $117,756 at December 31, 2014.

3. Capital Assets:

	Balance January 1, 2014	Increases	Retirements/ Reclassifications	Balance December 31, 2014
Non-depreciable capital assets:				
Land	$ 7,410	$ -	$ (926)	$ 6,484
Depreciable capital assets:				
Land improvements	82,604	-	-	82,604
Buildings	7,180,711	-	-	7,180,711
Furniture and equipment	244,282	4,272	-	248,554
Infrastructure	110,097	-	-	110,097
Total depreciable assets	7,617,694	4,272	-	7,621,966
Less accumulated depreciation:				
Land improvements	62,731	1,359	-	64,090
Buildings	2,807,597	190,456	-	2,998,053
Furniture and equipment	224,066	10,133	-	234,199
Infrastructure	22,155	5,721	-	27,876
Total accumulated depreciation	3,116,549	207,669	-	3,324,218
Total depreciable assets, net	4,501,145	(203,397)	-	4,297,748
	$ 4,508,555	**$ (203,397)**	**$ (926)**	**$ 4,304,232**

4. 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.

5. Long-Term Debt:

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 2) and submitting them to the State. Amounts outstanding under this loan and due within one year total $93,000 at December 31, 2014.

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 Account. 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, 2014, interest amounted to $7,839. The balance outstanding on this loan as of December 31, 2014 was $144,448.

6. Operating Leases:

The Agency leases space at two of its multi-tenant/incubator facilities to multiple tenants under the terms of noncancelable operating leases. Rental income under these leases was $381,938 for the year ended December 31, 2014. The carrying value of all leased property is approximately $4,283,000.

Future annual rental receipts anticipated under noncancelable leases are:

2015	$ 445,173
2016	417,350
2017	338,224
2018	121,433
2019	87,417
	$ 1,409,597

The Agency also charges common area expenses to tenants that amounted to $53,562 for the year ended December 31, 2014. Intra-Agency charges have been eliminated in the accompanying financial statements.

7. 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.

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 July 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
2014	$ 62,976	16.4-20.1%
2013	73,054	16.7-28.5%
2012	102,861	9.9-25.2%

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

8. Related Party Transactions:

Administration Fees:

The Agency received $4,000 in administration fees from NIIA during the year ended December 31, 2014.

During 2014, 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 the total blended presentation.

9. 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 $77,337,000 in 2014.

10. 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.

11. Commitments:

Outstanding loan commitments approved but not yet paid by NCDC total $75,000 at December 31, 2014.

12. 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, 2014
(with summarized comparative totals as of December 31, 2013)

	Operating	Multi-Tenant Facility Operating	VIP Multi-Tenant Operating	Total	Total 2013 Summarized
Assets					
Current assets:					
Cash					
Unrestricted	$ 884,255	$ 398,378	$ 164,461	$ 1,447,094	$ 1,565,779
Restricted	45,000	21,196	97,615	163,811	146,997
Accounts receivable					
Trade	77,216	-	545	77,761	12,095
Internal balances	52,878	-	(6,699)	46,179	48,579
Prepaid expenses	40,331	6,226	15,302	61,859	48,368
Due from other operating units	609,265	-	-	609,265	610,326
Loans receivable	83,700	-	-	83,700	43,400
	1,792,645	425,800	271,224	2,489,669	2,475,544
Noncurrent assets:					
Loans receivable, net	-	-	-	-	55,800
Capital assets, net	9,530	1,301,778	2,992,924	4,304,232	4,508,555
Investment in affiliate	30,000	-	-	30,000	30,000
	39,530	1,301,778	2,992,924	4,334,232	4,594,355
	$ 1,832,175	$ 1,727,578	$ 3,264,148	$ 6,823,901	$ 7,069,899
Liabilities and Net Position					
Current liabilities:					
Accounts payable	$ 61,000	33,021	$ 14,875	$ 108,896	$ 114,336
Due to other governments	-	73,125	-	73,125	73,865
Current portion of long-term obligations					
Due others	93,000	-	-	93,000	74,400
Internal balances	-	23,707	-	23,707	22,553
Unearned revenue	45,000	-	-	45,000	45,000
Security deposits	-	21,196	16,982	38,178	31,409
Due to other operating units	-	76,150	533,115	609,265	610,326
	199,000	227,199	564,972	991,171	971,889
Long-term obligations:					
Due others	-	-	-	-	55,800
Internal balances	-	120,741	-	120,741	144,448
	-	120,741	-	120,741	200,248
	199,000	347,940	564,972	1,111,912	1,172,137
Net position:					
Net investment in capital assets	9,530	1,301,778	2,992,924	4,304,232	4,508,555
Unrestricted (deficit)	1,623,645	77,860	(293,748)	1,407,757	1,389,207
	1,633,175	1,379,638	2,699,176	5,711,989	5,897,762
	$ 1,832,175	$ 1,727,578	$ 3,264,148	$ 6,823,901	$ 7,069,899

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

For the year ended December 31, 2014
(with summarized comparative totals for December 31, 2013)

	Operating	Multi-Tenant Facility Operating	VIP Multi-Tenant Operating	Total	Total 2013 Summarized
Operating revenues:					
Fees	$ 624,024	$ -	$ -	$ 624,024	$ 396,360
Rental income and common area charges	965	283,506	151,029	435,500	418,464
Occupancy income	27,387	-	-	27,387	27,387
Administrative fees from affiliates	107,316	-	-	107,316	114,278
Gain on sale of land	-	-	14,274	14,274	-
Miscellaneous	3,423	7,576	1,215	12,214	2,462
Total operating revenues	763,115	291,082	166,518	1,220,715	958,951
Operating expenses:					
Personnel services	477,989	-	-	477,989	470,725
Contractual expenses	229,490	6,385	31,505	267,380	202,918
Occupancy	34,775	92,671	89,426	216,872	242,849
Employee benefits	224,316	-	-	224,316	245,819
Interest expense	-	7,838	91	7,929	14,873
Depreciation	9,744	85,090	112,835	207,669	207,311
Total operating expenses	976,314	191,984	233,857	1,402,155	1,384,495
Operating gain (loss)	(213,199)	99,098	(67,339)	(181,440)	(425,544)
Nonoperating revenues (expenses):					
Investment income	506	80	61	647	2,590
Income from investment in affiliated organization	68,145	-	-	68,145	83,750
Income from joint venture	73,125	(73,125)	-	-	-
Total nonoperating revenues (expenses)	141,776	(73,045)	61	68,792	86,340
Gain (loss)	(71,423)	26,053	(67,278)	(112,648)	(339,204)
Transfer to Niagara Frontier Transportation Authority	-	(73,125)	-	(73,125)	(73,515)
Internal transfer	15,000	-	(15,000)	-	-
Net loss	(56,423)	(47,072)	(82,278)	(185,773)	(412,719)
Net position - beginning	1,689,598	1,426,710	2,781,454	5,897,762	6,310,481
Net position - ending	$ 1,633,175	$ 1,379,638	$ 2,699,176	$ 5,711,989	$ 5,897,762

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended December 31, 2014

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	$ 1,017,524
U.S. Department of Commerce:			
Passed through Niagara County			
Economic Adjustment Assistance	11.307	Various	852,054
Total Expenditures of Federal Awards			$ 1,869,578

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 funds		1,133,334
Total EDA share		61.7647%
Balance of loans outstanding	$	866,952
Cash		483,984
Administrative expenses		28,580
		1,379,516
		61.7647%
	$	852,054

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 the 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, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows, as applicable, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2015.

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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lumsden & McCormick, LLP

March 11, 2015

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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, 2014. 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 on 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, 2014.

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 each 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

March 11, 2015

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Findings and Questioned Costs

For the year ended December 31, 2014

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 OMB 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	$ 1,017,524

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.

Summary Schedule of Prior Audit Findings

December 31, 2014

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

Lumsden McCormick LLP
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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 sheets of Niagara County Industrial Development Agency (the Agency), a business-type activity, and its discretely presented component unit, as of December 31, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated March 11, 2015.

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, 2014. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Agency's noncompliance with the above rules and regulations.

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

Lumsden & McCormick, LLP

March 11, 2015