

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying 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 sheets as of December 31, 2015 and 2014 and the related statements of revenues, expenses, and changes in net position and cash flows for the years 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 an opinion on these financial statements based on our audits. We conducted our audits 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ILDC as of December 31, 2015 and 2014 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.

## **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 9 and 10 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2016, 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.

*Lumaden & McCormick, LLP*

March 18, 2016

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

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**Balance Sheets**

December 31,	2015	2014
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 278,808	\$ 238,360
Loans receivable (Note 2)	6,334	30,859
	285,142	269,219
Loans receivable, net (Note 2)	760	7,943
	\$ 285,902	\$ 277,162
 <b>Liabilities and Net Position</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 29	\$ 189
Due to affiliate (Note 3)	27,863	940
	27,892	1,129
 <b>Net position:</b>		
Restricted	207,953	198,470
Unrestricted	50,057	77,563
	258,010	276,033
	\$ 285,902	\$ 277,162

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,	2015	2014
<b>Operating revenues:</b>		
Administrative fees	\$ 1,764,488	\$ -
Interest from loans	500	1,306
Total operating revenues	<u>1,764,988</u>	<u>1,306</u>
<b>Operating expenses:</b>		
Transfer to Erie County Industrial Development Agency	1,764,488	-
General and administrative	29,282	2,702
Provision for uncollectible loans (recoveries)	(10,759)	16,251
Total operating expenses	<u>1,783,011</u>	<u>18,953</u>
Operating loss	(18,023)	(17,647)
<b>Nonoperating revenue:</b>		
Interest	-	15
Change in net position	(18,023)	(17,632)
Net position - beginning	<u>276,033</u>	<u>293,665</u>
<b>Net position - ending</b>	<u>\$ 258,010</u>	<u>\$ 276,033</u>

See accompanying notes.

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

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**Statements of Cash Flows**

For the years ended December 31,	2015	2014
<b>Operating activities:</b>		
Administrative and application fees	\$ 1,764,488	\$ -
Principal and interest on loans	38,840	48,271
Bad debt recoveries	4,127	-
Payments to vendors	(1,767,007)	(4,590)
<b>Net operating activities</b>	<b>40,448</b>	<b>43,681</b>
<b>Investing activities:</b>		
Interest income	-	15
<b>Change in cash</b>	<b>40,448</b>	<b>43,696</b>
Cash - beginning	238,360	194,664
<b>Cash - ending</b>	<b>\$ 278,808</b>	<b>\$ 238,360</b>
<b>Reconciliation of operating loss to net cash flows from operating activities:</b>		
Operating loss	\$ (18,023)	\$ (17,647)
Adjustments to reconcile operating loss to net cash flows from operating activities		
Provision for uncollectible loans (recoveries), net	(6,632)	16,251
Changes in other assets and liabilities:		
Loans receivable	38,340	46,965
Accounts payable	(160)	(216)
Due to affiliate	26,923	(1,672)
<b>Net operating activities</b>	<b>\$ 40,448</b>	<b>\$ 43,681</b>

See accompanying notes.

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

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**Notes to Financial Statements**

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**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, New York (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. Policies permit management to use demand accounts and certificates of deposit for daily operating funds. Invested resources are limited to 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. Cash in financial institutions potentially subject ILDC to concentration of credit risk since they may exceed FDIC insured limits at various times throughout the year. At December 31, 2015, \$28,196 of ILDC's cash balances were uncollateralized.

### **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 and deferred outflows of resources 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 and include amounts maintained in the Erie County Business Development Fund (Erie County BDF) (Note 2).
- Unrestricted – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in 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 \$195,000,000 in 2015. No bonds were issued during 2014.

### **Income Taxes:**

Although the financial statements are required to be reported as a governmental entity, ILDC is a 501(c)(3) not-for-profit organization for income tax purposes and is 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, 2012.

### **2. Loans Receivable:**

The revolving loan programs were originally funded through the Erie County BDF and the United States Small Business Administration (SBA Microloan). Assets maintained in the Erie County BDF are restricted pursuant to the 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>2015</u>	<u>2014</u>
Current status	\$ 7,094	\$ 38,802
30-90 days past due	-	-
Non-accrual	<u>1,359</u>	<u>17,741</u>
	<b>8,453</b>	<b>56,543</b>
Less allowance	<u>1,359</u>	<u>17,741</u>
Less current portion	<u>6,334</u>	<u>30,859</u>
	<b>\$ 760</b>	<b>\$ 7,943</b>

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

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 17,741	\$ 29,471
Additions charged to operations	-	17,741
Recoveries	<b>(6,632)</b>	(1,490)
Write-offs	<b>(9,750)</b>	(27,981)
	<b>\$ 1,359</b>	<b>\$ 17,741</b>

### 3. Related Party Transactions:

#### Personnel and Overhead Costs:

ECIDA allocates a portion of its personnel and overhead costs to ILDC which amounted to \$445 and \$940 in 2015 and 2014. The amount outstanding to ECIDA at December 31, 2015 and 2014 related to these costs amounted to \$445 and \$940. In addition, ILDC owes ECIDA \$27,418 at December 31, 2015 for reimbursement of costs.

#### 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 \$1,764,488 in administrative fees to ECIDA in 2015. There were no such transactions in 2014.

**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, 2015  
(with summarized comparative totals as of December 31, 2014)

	Operating	Erie County BDF Program	Total	
			2015	2014
<b>Assets</b>				
<b>Current assets:</b>				
Cash	\$ 77,474	\$ 201,334	\$ 278,808	\$ 238,360
Loans receivable	-	6,334	6,334	30,859
	77,474	207,668	285,142	269,219
Loans receivable, net	-	760	760	7,943
	\$ 77,474	\$ 208,428	\$ 285,902	\$ 277,162
<b>Liabilities and Net Position</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ -	\$ 29	\$ 29	\$ 189
Due to affiliate	27,417	446	27,863	940
	27,417	475	27,892	1,129
<b>Net position:</b>				
Restricted	-	207,953	207,953	198,470
Unrestricted	50,057	-	50,057	77,563
	50,057	207,953	258,010	276,033
	\$ 77,474	\$ 208,428	\$ 285,902	\$ 277,162

**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, 2015  
(with summarized comparative totals for December 31, 2014)

	Operating	Erie County BDF Program	Total	
			2015	2014
<b>Operating revenues:</b>				
Administrative fees	\$ 1,764,488	\$ -	\$ 1,764,488	\$ -
Interest from loans	-	500	500	1,306
Total operating revenues	1,764,488	500	1,764,988	1,306
<b>Operating expenses:</b>				
Transfer to ECIDA	1,764,488	-	1,764,488	-
General and administrative	27,506	1,776	29,282	2,702
Provision for uncollectible loans (recoveries)	-	(10,759)	(10,759)	16,251
Total operating expenses	1,791,994	(8,983)	1,783,011	18,953
Operating income (loss)	(27,506)	9,483	(18,023)	(17,647)
<b>Nonoperating revenue:</b>				
Interest	-	-	-	15
Change in net position	(27,506)	9,483	(18,023)	(17,632)
Net position - beginning	77,563	198,470	276,033	293,665
<b>Net position - ending</b>	<b>\$ 50,057</b>	<b>\$ 207,953</b>	<b>\$ 258,010</b>	<b>\$ 276,033</b>

**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, 2015, 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 March 18, 2016.

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

*Lumaden & McCormick, LLP*

March 18, 2016

**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, 2015, 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 18, 2016.

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, 2015. 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*

March 18, 2016