

**NIAGARA COUNTY BROWNFIELD
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara County Brownfield Development Corporation

We have audited the accompanying balance sheets of Niagara County Brownfield Development Corporation (NCBDC) (a business-type activity) 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 NCBDC as of September 30, 2015 and 2014, and the changes in its net 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

Required Supplementary information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 6 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 an opinion on the financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information including the schedule of expenditures of federal awards 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 accompanying supplementary information including the schedule of expenditures of federal awards 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 December 10, 2015 on our consideration of NCBDC'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 NCBDC's internal control over financial reporting and compliance.

Lumaden & McCormick, LLP

December 10, 2015

**NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(Unaudited)**

As management of Niagara County Brownfield Development Corporation (NCBDC), we offer readers of NCBDC's financial statements this narrative overview and analysis of the financial activities of NCBDC for the year ended September 30, 2015. This document should be read in conjunction with NCBDC's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The assets of NCBDC exceeded its liabilities by \$398,000 (net position). This total is restricted for use within Niagara County Brownfields Cleanup Revolving Loan Fund (BCRLF) as outlined in its cooperative agreements with the United States Environmental Protection Agency (EPA).
- NCBDC's net position increased \$148,000 from the prior year primarily due to a loan made to a local business funded by EPA grant proceeds. Loan disbursements totaled \$178,000 out of the total \$435,000 loan awarded. The remainder is expected to be disbursed in the following fiscal year.
- Grant revenue from the EPA can only be requested when NCBDC does not have cash available to otherwise fund projects. Grants expended and related administrative expenses during 2015 of \$195,000 were funded by grant revenue received from the EPA of \$164,000 and available cash. Total grant revenue from EPA totaled \$342,000 for reimbursement to NCBDC for the grant and loan activity for the year ended September 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

NCBDC is a not-for-profit public benefit corporation treated as a governmental entity for financial reporting purposes. The financial statements in this report are therefore those of a special-purpose government. The following statements are included:

- Balance Sheets – report NCBDC's current and long-term financial resources and liabilities and net position.
- Statements of Revenues, Expenses, and Changes in Net Position – report NCBDC's operating and nonoperating revenues by major source along with operating and nonoperating expenses.
- Statements of Cash Flows – report NCBDC's cash flows from operating and noncapital financing activities.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. NCBDC's assets exceeded its liabilities by \$398,000 at the close of 2015. The largest portion of NCBDC's net position reflects the outstanding principal due from loan disbursements. As of September 30, 2015, NCBDC did not own any property nor was it obligated for any long-term liabilities.

Net position as of September 30, 2015 and 2014 was as follows:

	2015	2014
Current assets	\$ 24,000	\$ 100,000
Non-current portion of loans receivable	<u>380,000</u>	<u>163,000</u>
Total assets	<u>404,000</u>	<u>263,000</u>
Current liabilities	<u>6,000</u>	<u>13,000</u>
Net position		
Restricted	<u>\$ 398,000</u>	<u>\$ 250,000</u>

Changes in net position for the years ended September 30, 2015 and 2014 were as follows:

	2015	2014
Operating revenues:		
Grants received	\$ 342,000	\$ 59,000
Interest income	<u>1,000</u>	<u>4,000</u>
Total operating revenues	<u>343,000</u>	<u>63,000</u>
Operating expenses:		
Professional and administrative fees	23,000	7,000
Insurance expense	2,000	3,000
Grants to subrecipients	<u>170,000</u>	<u>99,000</u>
Total operating expenses	<u>195,000</u>	<u>109,000</u>
Change in net position	148,000	(46,000)
Net position - beginning	<u>250,000</u>	<u>296,000</u>
Net position - ending	<u>\$ 398,000</u>	<u>\$ 250,000</u>

Grant revenue, which is comprised solely of grants from the EPA, represents nearly 100% and 94% of total revenues for 2015 and 2014. All grant revenue and earnings were used to fund projects and related expenses during 2015 and 2014. Grant revenue is contingent on the expenditure of underlying eligible grant expenses. The increase in revenues and expenses is due to a new loan approved and partially disbursed during 2015. All grant revenue and expenses are related to ongoing projects. See page 5 for further details of these projects.

Additionally, NCBDC used a portion of its existing funds for grants to subrecipients in both 2015 and 2014.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

During 2015, Niagara County continued to implement the BCRLF program and achieve established performance measures. Performance measures include the award of funds to new remediation projects and the process of turning vacant properties back to productive use. Of the \$1,635,000 in grant funds allocated to current projects, \$1,571,000 has been committed for loans or grants as of September 30, 2015. Projects in process are discussed in detail below.

Santarosa Project

In December 2008, NCBDC's Board of Directors (the Board) approved the first BCRLF project, a \$250,000 loan to Santarosa Holdings, Inc. for asbestos abatement at 1501 College Avenue in the City of Niagara Falls. The 13 acre site was previously used for heavy industrial manufacturing and has remained vacant since the late 1980's.

During site remediation, significant additional contamination was found and Santarosa Holdings, Inc. applied for and received a second loan totaling \$385,000 from BCRLF to help address site contamination. All of the buildings on the site have been demolished, 3,700 tons of contaminated soil removed, 20,000 gallons of contaminated water removed, and 2,760 tons of asbestos removed from the site. A Certificate of Completion was issued by the New York State Department of Environmental Conservation on December 31, 2012 to certify that cleanup actions at the site were successfully completed. The property owner is working on industrial site redevelopment concepts. All funds were disbursed under this grant prior to 2012 and outstanding loan balances as of September 30, 2015 are detailed on page 13.

39th Street School Site, City of Niagara Falls

In April 2012, the Board approved a \$200,000 BCRLF grant for remediation at the former 39th Street School site in the City of Niagara Falls. This grant was later increased to \$300,000 and is partially funded from American Recovery and Reinvestment Act (ARRA) grant funding. No funds were disbursed under this grant during 2015; \$57,000 of BCRLF funds were disbursed in 2014.

The City of Niagara Falls took ownership of the property by tax foreclosure. Site remediation to date has included asbestos abatement, building demolition, UST removal, and contaminated soil removal. Site remediation and restoration was completed in spring 2014. \$12,000 remains available for potential site restoration costs.

Competition Transmission Site, City of North Tonawanda

The Riviera Theatre & Organ Preservation Society, Inc. purchased a former automotive facility in the City of North Tonawanda as part of a theater expansion project. In January 2013, NCBDC approved a \$350,000 subgrant for site remediation. Asbestos abatement and building demolition occurred in July and August 2013. Soil and groundwater testing is being conducted to determine the best methods for soil and groundwater remediation. Once remediation is completed, the site will be ready for reuse as part of a 23,000 square foot theater expansion project. A total of \$169,000 was expended under this grant during 2015; \$42,000 was expended during 2014. \$52,000 remains available for remediation costs.

Rock One Development, LLC

In August 2015, NCBDC provided Rock One Development, LLC a \$435,000 loan, bearing interest at 0.5%, to be used for professional service costs and fees associated with the remediation of soil metals located on the property at 600 River Road in North Tonawanda, New York. As of September 30, 2015, \$178,130 was disbursed to the borrower. Once fully disbursed, the agreement requires repayment based on a ten year amortization schedule.

FACTORS EXPECTED TO IMPACT FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS

Management believes NCBDC is in good condition financially. Funding is available to cover existing project reimbursements as well as the development of future projects.

CONTACTING FINANCIAL MANAGEMENT

This financial report is designed to provide our stakeholders with a general overview of NCBDC's finances and to show the accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Amy E. Fisk, AICP, President, at 6311 Inducon Corporate Drive, Sanborn, New York 14132.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Balance Sheets

September 30,	2015	2014
Assets		
Current assets:		
Cash	\$ -	\$ 29,186
Grants receivable	6,325	-
Loans receivable (Note 2)	18,075	71,097
	<u>24,400</u>	<u>100,283</u>
 Non-current portion of loans receivable:		
Loans receivable, net (Note 2)	380,105	163,368
	<u>\$ 404,505</u>	<u>\$ 263,651</u>
 Liabilities and Net Position		
Current liabilities:		
Accounts and grants payable	\$ 6,325	\$ 13,544
 Net position:		
Restricted	398,180	250,107
	<u>\$ 404,505</u>	<u>\$ 263,651</u>

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended September 30,	2015	2014
Operating revenues:		
Grants received	\$ 342,256	\$ 58,672
Interest income	633	4,197
Total operating revenues	<u>342,889</u>	<u>62,869</u>
Operating expenses:		
Professional and administrative fees	23,257	6,670
Insurance expense	2,076	2,773
Grants to subrecipients	169,483	99,005
Total operating expenses	<u>194,816</u>	<u>108,448</u>
Change in net position	148,073	(45,579)
Net position - beginning	<u>250,107</u>	<u>295,686</u>
Net position - ending	<u>\$ 398,180</u>	<u>\$ 250,107</u>

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Statements of Cash Flows

For the years ended September 30,	2015	2014
Operating activities:		
Grants received	\$ 335,931	\$ 58,672
Principal repayments received on loans	14,415	56,205
Interest payments received	633	4,197
Grants and loans paid to third party recipients	(361,157)	(85,461)
Payments to vendors and others	(19,008)	(9,443)
Net operating activities	<u>(29,186)</u>	<u>24,170</u>
 Cash - beginning	 <u>29,186</u>	 <u>5,016</u>
Cash - ending	 <u>\$ -</u>	 <u>\$ 29,186</u>
 Reconciliation of operating income (loss) to net cash flows		
from operating activities:		
Operating income (loss)	\$ 148,073	\$ (45,579)
Adjustments to reconcile operating income (loss) to net cash flows		
from operating activities:		
Changes in assets and liabilities		
Grants receivable	(6,325)	-
Loans receivable	(163,715)	56,205
Accounts and grants payable	(7,219)	13,544
Net operating activities	<u>\$ (29,186)</u>	<u>\$ 24,170</u>

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Organization

Niagara County Brownfield Development Corporation (NCBDC) was organized in October 2008 as a not-for-profit public benefit corporation to establish and operate the Niagara County Brownfields Cleanup Revolving Loan Fund (BCRLF) program. Through BCRLF, NCBDC provides financial assistance in the form of low-interest loans and subgrants to eligible entities for remediation of brownfield sites throughout Niagara County.

BCRLF is a cooperative effort between Niagara County (the County) and the City of Niagara Falls (the City). Accordingly, the Chairman of the County's Board of Legislators and the Mayor of the City sit on the Board of NCBDC. The third member of NCBDC's Board is the Executive Director of Niagara County Industrial Development Agency (NCIDA), and Niagara County Department of Economic Development provides administrative support and management to NCBDC.

Basis of Presentation

Because NCBDC's Board members are officials of State or local governments, 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

NCBDC 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. NCBDC'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.

NCBDC's policy for defining operating activities in the statement 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. NCBDC also classifies pass-through Federal grants as operating activities.

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 NCBDC'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, NCBDC's deposits may not be returned to it. At September 30, 2015, NCBDC's bank deposits were fully collateralized by FDIC coverage.

Allowance for Uncollectible Loans

Loans receivable are stated at the principal amount outstanding, net of an allowance for uncollectible loans, if any. 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 charged 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, and 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.

Grants

All grants are reflected as unrestricted revenue to the extent related expenses have been incurred. Amounts not yet spent are classified as unearned revenue and recognized as revenue when spent.

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 the U.S. Environmental Protection Agency (EPA).

- *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 NCBDC.

Income Taxes

NCBDC is a 501(c)(3) organization exempt from income taxes under §501(a) of the Internal Revenue Code. Management believes NCBDC is no longer subject to examination by Federal taxing authorities for years ended prior to September 30, 2012.

2. Loans Receivable

Loans made to local businesses complement private financing at interest rates ranging from 0.5% to 3.0% with varying repayment terms and are generally secured by the borrowers' equipment. All loans are classified as commercial. The following is a summary of loans receivable:

	2015	2014
Current status	\$ 178,130	\$ -
Non-accrual	377,050	391,465
	<u>555,180</u>	<u>391,465</u>
Less allowance	157,000	157,000
Less current portion	18,075	71,097
	<u>\$ 380,105</u>	<u>\$ 163,368</u>

Non-accrual loan balances are substantially all in arrears. NCBDC is currently in negotiations with the company to revise the repayment terms.

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

	2015	2014
Balance, beginning of year	\$ 157,000	\$ -
Additions charged to operations	-	157,000
Balance, end of year	<u>\$ 157,000</u>	<u>\$ 157,000</u>

3. Related Party Transactions

NCIDA charges NCBDC administration fees for accounting and administrative support services. Fees for the year ended September 30, 2015 totaled \$6,840. NCIDA did not charge administration fees for the year ended September 30, 2014.

4. Economic Dependence

NCBDC received all of its grant revenue from the EPA for the years ended September 30, 2015 and 2014.

5. Commitments

NCBDC has committed to provide grant funding for two projects totaling \$509,818. As of September 30, 2015, \$64,306 has not yet been expended. These funds are reimbursed by a grant provided by the EPA once the funds are expended by the sub-grantee.

NCBDC awarded a loan for \$435,000 in August 2015. As of September 30, 2015, \$178,130 has been disbursed.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Supplementary Information
Schedule of Revolving Loan Funds

For the year ended September 30, 2015

	Loan Closing Date	Loan Balance 9/30/2014	Loans Made	Principal Paid	Loan Balance 9/30/2015	Interest Paid
Santarosa Holdings, Inc.	06/04/09	\$ 94,540	\$ -	\$ 14,415	\$ 80,125	\$ 633
Santarosa Holdings, Inc.	04/13/11	296,925	-	-	296,925	-
Rock One Development, LLC	08/03/15	-	178,130	-	178,130	-
		<u>\$ 391,465</u>	<u>\$ 178,130</u>	<u>\$ 14,415</u>	<u>\$ 555,180</u>	<u>\$ 633</u>

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

**Supplementary Information
Schedule of Subgrants**

For the year ended September 30, 2015

Grantee	EPA Grant	Agreement Date	Subgrant Amount	Amount Previously Disbursed	Amount Disbursed 9/30/15	Amount Remaining
City of Niagara Falls	BF97245508-0	04/12/12	\$ 159,818	\$ 147,786	-	\$ 12,032
Riviera Theater and Organ Preservation Society	BF97245508-0	03/25/13	350,000	128,243	169,483	52,274
			<u>\$ 509,818</u>	<u>\$ 276,029</u>	<u>\$ 169,483</u>	<u>\$ 64,306</u>

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended September 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Expenditures</u>
U.S. Environmental Protection Agency:			
Passed through Niagara County			
Brownfields Assessment and Cleanup Cooperative Agreements (revolving loan funds)	66.818	BF97245508-0	\$ 555,180
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF97245508-0	<u>169,483</u>
			<u>\$ 724,663</u>

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

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 presents the activity of all federal award programs administered by Niagara County Brownfield Development Corporation (NCBDC), an entity as defined in Note 1 to NCBDC's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The federal programs are maintained on the accrual basis of accounting, consistent with the financial statements.

In accordance with Office of Management and Budget (OMB) Circular A-133, expenditures for loan programs are calculated as outstanding loan balances at year end, for loans existing in the prior year, plus new loans issued during the year.

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 NCBDC's financial reporting system.

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 Brownfield 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 Niagara County Brownfield Development Corporation (NCBDC), which comprise the balance sheet as of September 30, 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 December 10, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NCBDC'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 NCBDC's internal control. Accordingly, we do not express an opinion on the effectiveness of NCBDC'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 NCBDC'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 of the effectiveness of NCBDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NCBDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lumaden & McCormick, LLP

December 10, 2015

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 Brownfield Development Corporation

Report on Compliance for Each Major Federal Program

We have audited Niagara County Brownfield Development Corporation's (NCBDC) 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 NCBDC's major federal programs for the year ended September 30, 2015. NCBDC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of NCBDC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NCBDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of NCBDC's compliance.

Opinion on Each Major Federal Program

In our opinion, NCBDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of NCBDC 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 NCBDC's 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 an 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 NCBDC's internal control over compliance.

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

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

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

Lumaden & McCormick, LLP

December 10, 2015

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs

For the year ended September 30, 2015

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:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount</u>
66.818	Brownfields Assessment and Cleanup	
	Cooperative Agreements (revolving loan funds)	\$ 555,180
66.818	Brownfields Assessment and Cleanup	
	Cooperative Agreements	<u>164,127</u>
		<u>\$ 719,307</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? No

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Summary Schedule of Prior Audit Findings

September 30, 2015

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

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

The Board of Directors
Niagara County Brownfield Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Niagara County Brownfield Development Corporation (NCBDC), which comprise the balance sheet as of September 30, 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 December 10, 2015.

In connection with our audit, nothing came to our attention that caused us to believe that NCBDC failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended September 30, 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 NCBDC'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
December 10, 2015