



**Buffalo and Erie County Industrial Land Development Corporation
Meeting of the Membership
March 25, 2015**

**95 Perry Street
5th Floor - ESD Conference Room
Buffalo, New York 14203**

- 1.0 Call to Order**
- 2.0 Approval of Minutes**
 - 2.1 Approval of the January 28, 2015 Minutes of the Meeting of the Membership
- 3.0 Reports / Action Items / Information Items:**
 - 3.1 Financial Report
 - 3.2 Finance & Audit Committee Update
 - 3.3 2014 Audited Financial Statements
 - 3.4 Governance Committee Update
 - a) ABO Board Self-Evaluation
- 4.0 Review and Adoption of Policies, Reports and Committee Charters: (Separate Package)**
 - 1. 2014 Mission Statement, Performance Measures and Results
 - 2. 2015 Mission Statement and Performance Measures
 - 3. 2014 Public Authorities Report
 - 4. 2014 - Investment Report
 - 5. Investment & Deposit Policy (Adopt)
 - 6. Code of Ethics (Adopt)
 - Re-Adopt Policies & Charters**
 - 7. Finance & Audit Committee Charter (Re-Adopt)
 - 8. Governance Committee Charter (Re-Adopt)
 - 9. Whistleblower Policy (Re-Adopt)
 - 10. Procurement Policy (Re-Adopt)
 - 11. Property Disposition Guidelines (Re-Adopt)
 - 12. Property Acquisition Policy (Re-Adopt)
 - 13. Defense & Indemnification Policy (Re-Adopt)
 - 14. Board Member Compensation, Reimbursement & Attendance Policy (Re-Adopt)
 - 15. Employee Compensation Program (Re-Adopt)
 - 16. Travel, Conferences, Meals & Entertainment Policy (Re-Adopt)
 - 17. Statement of Duties & Responsibilities of the Board of Directors (Re-Adopt)
 - 18. Statement of the Competencies & Personal Attributes Required of Board Members (Re-Adopt)
- 5.0 Management Team Update:**
 - 5.1 Catholic Health
- 6.0 Adjournment - Next Meeting April 22, 2015 (Annual Meeting)**

**MINUTES OF THE
BOARD OF DIRECTORS
OF THE
BUFFALO AND ERIE COUNTY
INDUSTRIAL LAND DEVELOPMENT CORPORATION
(ILDC)**

- DATE AND PLACE:** January 28, 2015, at the Erie County Industrial Development Agency, 95 Perry Street, 5th Floor ESD Conference Room, Buffalo, New York 14203
- PRESENT:** Hon. Byron W. Brown; Michael Hoffert; Hon. Mark C. Poloncarz; Hon. Edward A. Rath, III and Maria Whyte
- EXCUSED:** Hon. John J. Mills and Hon. Richard M. Tobe
- OTHERS PRESENT:** Steve Weathers, Chief Executive Officer; John Cappellino, Executive Vice President; Andrew Schoeppich, Treasurer; Karen M. Fiala, Assistant Treasurer; and Robert Murray, Secretary
- GUESTS:** Dave Macholz and Jim Dunlop from Catholic Health Systems, Inc.; Sue Katzoff, ILDC Bond Counsel

There being a quorum present at 9:55 a.m., the Meeting of the Board of Directors of the Buffalo and Erie County Industrial Land Development Corporation was called to order by its Chair, Mr. Poloncarz.

MINUTES

Upon motion made by Mr. Brown and seconded by Mr. Rath, the minutes of the October 22, 2014 Meeting of the Board of Directors of the ILDC were unanimously approved.

REPORTS / ACTION ITEMS / INFORMATION ITEMS:

Catholic Health Systems, Inc. ("CHS") (Bond Sale Resolution for \$130,000,000). Mr. Cappellino introduced Sue Katzoff, the ILDC tax exempt bond counsel, and then reviewed CHS's request for the ILDC to issue up to up to \$130,000,000 of tax exempt and taxable bonds and up to \$700,000 in mortgage tax benefits to provide financing for the reimbursement of costs for various improvement projects at several CHS facilities and locations, to finance costs associated with the development and installation of a new comprehensive information technology program used for financial reporting, human resource management, and supply chain management and to finance the costs associated with the leasehold improvements, new equipment and the acquisition of the new Administrative Regional Training Center located at 144 Genesee Street (collectively, the "Project").

Mr. Cappellino reviewed the various locations of the various projects that will be financed by ILDC tax exempt bond proceeds, and confirmed that the bond obligations will not be obligations of the ILDC, Erie County, or New York State but will be obligations of CHS.

With respect to the construction related components of the Project, Mr. Cappellino noted and confirmed that CHS will adhere to New York State local labor law provisions contained in Article 8 of the New York Labor Law and as required by the ILDC's underlying authorization as so stipulated by the Erie County Legislature.

Mr. Cappellino noted that the required Federal TEFRA hearing was held on January 20, 2015.

Mr. Cappellino then introduced Mr. Jim Dunlop and Mr. Dave Macholz on behalf of CHS.

Mr. Brown expressed support for CHS and for the Project and asked if CHS could explain how lowered borrowing costs help CHS.

Mr. Macholz stated that lowering borrowing costs help the bottom line, and with less costs of borrowing, CHS then has a greater ability to invest in itself and in particular, will have more resources to allocate to its charity care and for its free health care education programming.

Mr. Brown then noted that the City has worked closely with CHS with respect to its new administrative building on Genesee Street which has been a tremendous beneficial addition to the City. Mr. Brown then moved, and Mr. Rath seconded, to approve the Project.

Mr. Rath then expressed support for the Project noting the related and significant benefit associated with CHS equipment purchases which will increase efficiency and minimize delay of its services.

Mr. Hoffert expressed his support for the Project, and commented that CHS could have utilized the New York State Dormitory Authority for its bond issuer but by using the ILDC, local labor will be utilized and bond related administrative fees will be made available to Erie County.

Ms. Whyte expressed support for the project.

Mr. Poloncarz asked for the ILDC to confirm its bond issuance administrative fee.

Mr. Cappellino stated that the ILDC administrative fee is equal to 1% of the bond proceeds, so if the ILDC issues \$130,000,000 of tax exempt bonds, the fee would be \$1,300,000, and further noted that the ILDC makes these fees available to the Erie County Industrial Development Agency for economic development purposes.

Mr. Poloncarz then called for a vote and the following resolution was unanimously approved:

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF THE ISSUER'S OBLIGATED GROUP REVENUE BONDS (CATHOLIC HEALTH SYSTEM, INC. PROJECT), SERIES 2015A AND THE ISSUER'S OBLIGATED GROUP TAXABLE REVENUE BONDS (CATHOLIC HEALTH SYSTEM, INC. PROJECT), SERIES 2015B IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$130,000,000 AND THE EXECUTION OF RELATED DOCUMENTS

There being no further business to discuss, upon motion made by Mr. Rath and seconded by Ms. Whyte, the ILDC resolved to adjourn the meeting at 10:04 a.m.

Dated: January 28, 2015

Robert G. Murray, Secretary

Industrial Land Development Corp.
Financial Statements
As of February 28, 2015

INDUSTRIAL LAND DEVELOPMENT CORPORATION ("ILDC")

Balance Sheet

February 28, 2015

	Feb 2015	Jan 2015	Dec 2014
ASSETS:			
Restricted Cash *	\$ 256,686	\$ 255,080	\$ 238,359
Loans Receivable, net	38,963	40,675	56,543
Less: Reserve for Loan losses	(17,741)	(17,741)	(17,741)
Loan Interest Receivable	50	50	-
Total Loan Assets	<u>21,273</u>	<u>22,985</u>	<u>38,803</u>
Total Assets	<u>277,959</u>	<u>278,065</u>	<u>277,162</u>
LIABILITIES & NET ASSETS:			
Accounts Payable	\$ -	\$ 165	\$ 165
Due to/(from) ECIDA	1,273	1,106	940
Interest Payable - HUD	29	26	24
Other Liabilities	-	-	-
Total Liabilities	<u>1,302</u>	<u>1,298</u>	<u>1,128</u>
Restricted Fund Balance	<u>276,657</u>	<u>276,767</u>	<u>276,033</u>
Total Liabilities & Net Assets	<u>277,959</u>	<u>278,065</u>	<u>277,162</u>

* Loan Portfolio Summary:	Feb 2015	Jan 2015	Dec 2014
# of Loans	<u>6</u>	<u>6</u>	<u>8</u>

* Cash is invested in interest bearing accounts at First Niagara
The maximum FDIC insured amount is \$250,000 with the
remainder collateralized with government obligations
by the financial institution.

INDUSTRIAL LAND DEVELOPMENT CORPORATION ("ILDC")
Income Statement
Month of February 2015

	Actual vs. Budget		
	Actual	Budget	Variance
REVENUES:			
Interest Income - Loans	\$ 53	\$ 250	\$ (197)
Interest Income - Cash & Inv.	-	1	(1)
Administrative Fees	-	-	-
Other Income	-	-	-
Total Revenues	53	251	(198)
EXPENSES:			
Management Fee - ECIDA	\$ 167	\$ 208	(42)
Provision for Loan Losses	-	-	-
Professional Services	(3)	167	(170)
Rent & Facilities Expenses	-	-	-
General Office Expenses	-	-	-
Travel & Meeting Expenses	-	-	-
Other Expenses	-	25	(25)
Total Expenses	163	400	(237)
NET INCOME/(LOSS):	\$ (110)	\$ (149)	\$ 38

INDUSTRIAL LAND DEVELOPMENT CORPORATION ("ILDC")

Income Statement

Year to Date: February 28, 2015

	Actual vs. Budget			Actual vs. Prior Yr.		
	Actual	Budget	Variance	Actual	Prior Yr.	Variance
REVENUES:						
Interest Income - Loans	\$ 233	\$ 500	\$ (267)	\$ 233	\$ 595	\$ (362)
Interest Income - Cash & Inv.	1	3	(1)	1	1	0
Administrative Fees	-	-	-	-	-	-
Other Income	720	-	720	720	-	720
Total Revenues	954	503	451	954	596	358
EXPENSES:						
Management Fee - ECIDA	\$ 333	\$ 417	(83)	\$ 333	\$ 417	(83)
Provision for Loan Losses	-	-	-	-	-	-
Professional Services	(3)	333	(337)	(3)	(3)	(0)
Interest Expense	-	-	-	-	-	-
General Office Expenses	-	-	-	-	-	-
Other Expenses	-	50	(50)	-	-	-
Total Expenses	330	800	(470)	330	414	(84)
NET INCOME/(LOSS):	\$ 624	\$ (297)	\$ 921	\$ 624	\$ 182	\$ 441

To: ECIDA, RDC & ILDC Board of Directors
From: Chris Johnston, Chair of Finance & Audit Committee
Date: March 19, 2015
Re: Finance & Audit Committee Report

In accordance with its Committee Charter, the Finance & Audit Committee is required to “report its actions and recommendations to the Board at each regular meeting of the Board following a meeting of the Finance and Audit Committee and when otherwise requested by the Board”. This report is prepared to satisfy this requirement:

A joint meeting of the ECIDA, RDC & ILDC Finance & Audit Committee was held on March 19, 2015 to review the following items:

- 1) Lumsden & McCormick Report including Draft 2014 Audited Financial Statements The Agency’s auditors presented the Draft 2014 Audited Financial Statements for ECIDA, RDC, ILDC and ECIDA’s Buffalo Brownfields Redevelopment Fund (copies of which are attached).
 - **Auditors expressed an “Unqualified Opinion”:**
The auditors expressed an Unqualified Opinion on the financial statements. This type of opinion indicates that the financial statements present fairly, in all material respects, the financial position of the corporation as of December 31, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.
 - **No proposed audit adjustments were noted.**
 - **No Audit recommendation letter (“Management Recommendation Letter”) issued:**
- 2) Public Authorities 2014 Report - The joint Finance & Audit Committees approved the Public Authorities 2011 Report required under the Public Authorities Law and recommended it be approved by their respective Boards.
- 3) CRM - The joint Finance & Audit Committees reviewed the proposal to update CRM .

DRAFT

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

FINANCIAL STATEMENTS

DECEMBER 31, 2014

DRAFT

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Buffalo and Erie County Industrial Land Development Corporation (ILDC), a business-type activity and a component unit of County of Erie, New York as of December 31, 2014 and 2013 and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended. We have also audited ILDC's internal control over financial reporting as of December 31, 2014, based on *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assertion about the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on ILDC's internal control over financial reporting based on our audits. We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and our audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. An audit of internal control over financial reporting involves obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing other such procedures as we considered necessary in the circumstances.

DRAFT

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

Definitions and Inherent Limitations of Internal Control Over Financial Reporting

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ILDC as of December 31, 2014 and 2013 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also in our opinion, ILDC maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on *Internal Control – Integrated Framework* issued by the COSO.

Other Matters

Management's Discussion and Analysis

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

The supplementary information on pages 11 and 12 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

DRAFT

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2015 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.

March 3, 2015

DRAFT

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Management is responsible for establishing and maintaining effective internal control over financial reporting. Management assessed the effectiveness of ILDC's internal control over financial reporting as of December 31, 2014, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*. Based on that assessment, management concluded that, as of December 31, 2014, ILDC's internal control over financial reporting is effective based on the criteria established in *Internal Control – Integrated Framework*.

Buffalo and Erie County Industrial Land Development Corporation
March 3, 2015

DRAFT

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

Balance Sheets

December 31,	2014	2013
Assets		
Current assets:		
Cash	\$ 238,360	\$ 194,664
Loans receivable (Note 2)	30,859	46,739
	<u>269,219</u>	<u>241,403</u>
Non-current portion of loans receivable (Note 2):		
Loans receivable	25,684	84,750
Allowance for uncollectible loans	(17,741)	(29,471)
	<u>7,943</u>	<u>55,279</u>
	<u>\$ 277,162</u>	<u>\$ 296,682</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 189	\$ 405
Due to affiliate (Note 3)	940	2,612
	<u>1,129</u>	<u>3,017</u>
Net position:		
Restricted	198,470	206,848
Unrestricted	77,563	86,817
	<u>276,033</u>	<u>293,665</u>
	<u>\$ 277,162</u>	<u>\$ 296,682</u>

See accompanying notes.

DRAFT

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,	2014	2013
Operating revenues:		
Administrative fees	\$ -	\$ 237,721
Interest from loans	1,306	4,276
Total operating revenues	<u>1,306</u>	<u>241,997</u>
Operating expenses:		
Transfer to ECIDA	-	237,721
General and administrative	2,702	7,470
Provision for uncollectible loans (recoveries)	16,251	(9,685)
Total operating expenses	<u>18,953</u>	<u>235,506</u>
Operating income (loss)	(17,647)	6,491
Nonoperating revenue:		
Interest	15	14
Change in net position	(17,632)	6,505
Net position - beginning	<u>293,665</u>	<u>287,160</u>
Net position - ending	<u>\$ 276,033</u>	<u>\$ 293,665</u>

See accompanying notes.

DRAFT

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

Statements of Cash Flows

For the years ended December 31,	2014	2013
Operating activities:		
Administrative and application fees	\$ -	\$ 237,721
Principal and interest on loans	48,271	68,520
Payments to vendors	(4,590)	(244,516)
Net operating activities	43,681	61,725
Investing activities:		
Interest income	15	14
Change in cash	43,696	61,739
Cash - beginning	194,664	132,925
Cash - ending	\$ 238,360	\$ 194,664
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income (loss)	\$ (17,647)	\$ 6,491
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Provision for uncollectible loans (recoveries)	16,251	(9,685)
Changes in other assets and liabilities:		
Loans receivable	46,965	64,244
Accounts payable	(216)	344
Due to affiliate	(1,672)	331
Net operating activities	\$ 43,681	\$ 61,725

See accompanying notes.

DRAFT

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

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization:

Buffalo and Erie County Industrial Land Development Corporation (ILDC) was incorporated for the purpose of participating in the acquisition and development of industrial sites and to provide financial assistance for the acquisition or renovation of fixed assets by industrial companies locating or expanding in the County of Erie, 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. 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.

DRAFT

Custodial credit risk is the risk that, in the event of a bank failure, ILDC's deposits may not be returned to it. At December 31, 2014, ILDC's bank deposits were fully collateralized by FDIC coverage.

Loans Receivable:

Loans receivable are stated at the principal amount outstanding, net of an allowance for uncollectible loans. The allowance method is used to compute the provision for uncollectible loans.

Determination of the balance of the allowance for uncollectible loans is based on an analysis of the loan portfolio and reflects an amount that, in management's judgment, is adequate to provide for potential loan losses. Loans are written off when, in management's judgment, no legal recourse is available to collect the amount owed.

Interest on loans receivable is accrued as required by the terms of the agreement; management considers that collection is probable based on the current economic condition of the borrower. Interest accrual stops when management adjusts a loan reserve to 50% or more of the loan's outstanding balance.

Net Position:

- Restricted – consists of restricted assets 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.
- Unrestricted – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by ILDC.

Tax-Exempt Bond Transactions:

ILDC is an issuer of tax-exempt bond financing for not-for-profit entities. These bonds are obligations of the borrower. Since ILDC has no obligation to repay the principal and interest of such bonds, they are not reflected as liabilities in the accompanying financial statements. ILDC receives bond issuance fees from the borrower for providing this service. ILDC also has a shared services agreement with ECIDA under which administrative and staffing

services are provided to ILDC in connection with bond issuances in exchange for the related bond issuance fees received by ILDC. Bond issuance fees are recognized immediately upon issuance of the related bond. The original value of tax-exempt bonds issued by ILDC aggregated approximately \$24,000,000 in 2013. No new bonds were issued during 2014.

Income Taxes:

ILDC is a 501(c)(3) organization exempt from income taxes under §501(a) of the Internal Revenue Code. Management believes ILDC is no longer subject to examination by Federal taxing authorities for years ended prior to December 31, 2011.

2. Loans Receivable:

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

	2014	2013
Current status	\$ 38,802	\$ 102,018
30-90 days past due	-	-
Non-accrual	17,741	29,471
	<u>56,543</u>	<u>131,489</u>
Less allowance	17,741	29,471
Less current portion	30,859	46,739
	<u>\$ 7,943</u>	<u>\$ 55,279</u>

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

	2014	2013
Balance, beginning of year	\$ 29,471	\$ 39,156
Additions charged to operations	17,741	-
Recoveries	(1,490)	(9,685)
Write-offs	(27,981)	-
	<u>\$ 17,741</u>	<u>\$ 29,471</u>

3. Related Party Transactions:

Personnel and Overhead Costs:

ECIDA allocates a portion of its personnel and overhead costs to ILDC which amounted to \$940 and \$2,351 in 2014 and 2013. The amount outstanding to ECIDA at December 31, 2014 and 2013 related to these costs amounted to \$940 and \$2,612.

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. There were no such transactions in 2014. ILDC transferred \$237,721 in administrative fees to ECIDA in 2013.

DRAFT

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

	Operating	Erie County BDF Program	SBA Microloan Program	Total	
				2014	2013
Assets					
Current assets:					
Cash	\$ -	\$ 160,797	\$ 77,563	\$ 238,360	\$ 194,664
Loans receivable	-	30,859	-	30,859	46,739
	-	191,656	77,563	269,219	241,403
Non-current portion of loans receivable:					
Loans receivable	-	15,935	9,749	25,684	84,750
Allowance for uncollectible loans	-	(7,992)	(9,749)	(17,741)	(29,471)
	-	7,943	-	7,943	55,279
	\$ -	\$ 199,599	\$ 77,563	\$ 277,162	\$ 296,682
Liabilities and Net Position					
Current liabilities:					
Accounts payable	\$ -	\$ 189	\$ -	\$ 189	\$ 405
Due to affiliate	-	940	-	940	2,612
	-	1,129	-	1,129	3,017
Net position:					
Restricted	-	198,470	-	198,470	206,848
Unrestricted	-	-	77,563	77,563	86,817
	-	198,470	77,563	276,033	293,665
	\$ -	\$ 199,599	\$ 77,563	\$ 277,162	\$ 296,682

DRAFT

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, 2014
 (with summarized comparative totals for December 31, 2013)

	Operating	Erie County BDF Program	SBA Microloan Program	Total	
				2014	2013
Operating revenues:					
Administrative fees	\$ -	\$ -	\$ -	\$ -	237,721
Interest from loans	-	782	524	1,306	4,276
Total operating revenues	-	782	524	1,306	241,997
Operating expenses:					
Transfer to ECIDA	-	-	-	-	237,721
General and administrative	-	2,658	44	2,702	7,470
Provision for uncollectible loans (recoveries)	-	6,502	9,749	16,251	(9,685)
Total operating expenses	-	9,160	9,793	18,953	235,506
Operating income (loss)	-	(8,378)	(9,269)	(17,647)	6,491
Nonoperating revenue:					
Interest	-	-	15	15	14
Change in net position	-	(8,378)	(9,254)	(17,632)	6,505
Net position - beginning	-	206,848	86,817	293,665	287,160
Net position - ending	\$ -	\$ 198,470	\$ 77,563	\$ 276,033	\$ 293,665

DRAFT

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, 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 have issued our report thereon dated March 3, 2015.

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*.

DRAFT

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.

March 3, 2015

DRAFT

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 balance sheet of Buffalo and Erie County Industrial Land Development Corporation (ILDC), a business-type activity and a component unit of County of Erie, New York, 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 3, 2015.

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, 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 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.

March 3, 2015

To: ECIDA, RDC, and ILDC Board of Directors
From: Governance Committee – Brenda McDuffie (Chair)
Date: March 25, 2015
Re: Governance Committee Report



In accordance with the Governance Committee Charter, the Governance Committee is required to “report its actions and recommendations to the Board at each regular meeting of the Board following a meeting of the Governance Committee and when otherwise requested by the Board”. This report is prepared to satisfy this requirement.

The ECIDA, RDC, and ILDC Governance Committees met on March 11, 2015 to review the following items:

- 1) **Results of ECIDA’s 2014 Performance Measures:** The Governance Committee reviewed the results of the ECIDA’s 2014 Performance Measures. The Committee did not recommend any changes. The Committee recommended that the Board adopt the 2014 Performance Measures Results during the March 25, 2015 Board meeting.
- 2) **Mission Statement & 2015 Performance Measures:** The Governance Committee reviewed the 2015 Mission Statement & Performance Measures. The Committee recommended adding a separate innovation objective under the “Promote Private Investment & Innovation” goal. The Committee also recommended adding the tax incentive projects to the “support the creation of growth of minority and women-owned businesses” objective. With these revisions, the Governance Committee recommended that the Board adopt the 2015 Mission Statement & Performance Measures during the March 25, 2015 Board meeting.
- 3) **2014 PAAA Annual Report:** The Governance Committee reviewed the ECIDA/RDC/ILDC 2014 PAAA Annual Report. The Committee did not recommend any changes. The Committee recommended that the Board adopt the PAAA Annual Report during the March 25, 2015 Board meeting.
- 4) **2014 Board of Directors’ Self-Evaluation:** The Governance Committee reviewed Summary Sheets for the ECIDA/RDC and the ILDC. The Summary Sheets indicated the results of the Board member responses to the ABO Board Self-Evaluations. The Committee did not note any major issues with respect to the evaluations. The Governance Committee Chair will forward the Summary Sheets to the Authority Budget Office as required.
- 5) **2014 Governance Committee’s Self-Evaluation:** The Governance Committee reviewed and approved the 2014 Governance Committee Self-Evaluation. The evaluation documented the activities of the Governance Committee in 2014.
- 6) **Annual Re-Adoption of Policies, Charters & Guidelines:** The Governance Committee reviewed the following policies of the ECIDA/RDC/ILDC:
 - Whistleblower Policy;
 - Governance Committee Charter;
 - Procurement Policy;
 - Property Disposition Guidelines;
 - Property Acquisition Policy;
 - Defense & Indemnification Policy;
 - Board Member Compensation, Reimbursement & Attendance Policy;
 - ECIDA Employee Compensation Policy;
 - Travel, Conferences, Meals & Entertainment Policy;
 - Statement of the Duties & Responsibilities of the Board of Directors; and
 - Statement of the Competencies & Personal Attributes Required of Board Members.

No changes were recommended by the Committee. The Committee recommended that the Board re-adopt these policies during the March 25, 2015 Board meeting.

- 7) **Adoption of the Code of Ethics:** The Code of Ethics of the ECIDA/RDC/ILDC was revised by Harris Beach to reflect new best practice guidelines of the Authority Budget Office. The Committee recommended that the Board adopt this policy during the March 25, 2015 Board meeting.

- 8) ECIDA/RDC/ILDC By-Laws: Agency staff informed the Governance Committee that the By-Laws of the ECIDA/RDC/ILDC are being reviewed and revised by Harris Beach to reflect new best practice guidelines of the Authority Budget Office. The revised versions will be presented to the full Board in April 2015.
- 9) PARIS Report Update: The Governance Committee received an update on the status of the Authority Budget Office's reporting requirements (PARIS). Agency staff indicated that they are on track to complete the report on or before the March 31, 2015 deadline.
- 10) 2014 Local Labor Report Update: The Governance Committee received an update on the status of the 2014 Local Labor reports. Agency staff indicated that all local labor reports in 2014 were received and that no company was in violation of the Policy. Staff also indicated that North American Salt was the only company to receive a waiver in 2014. The Governance Committee requested a more detailed report on the 2014 fourth quarter results, specifically, how many construction workers resided in Erie County and how many construction workers worked on ECIDA projects during the quarter. Staff will compile this information and report to the full board on March 25, 2015.
- 11) Board Member PAAA Training Update: The Governance Committee received an update on the status of the required Authority Budget Office training. Agency staff indicated that six members have not received the training, however, two of those members have registered for training sessions in April. The Governance Committee Chair requested an email with the names of those board members who have not received the training. The Committee also suggested that the Agency offer its conference rooms to board members in an effort to encourage participation.
- 12) Authority Budget Office Best Practices Guide for Public Authorities: The Governance Committee received the ABO Board Meetings: Best Practices Guide for Public Authorities. Agency staff pointed out that the Agency is compliant with most of the recommended practices referenced in the Guide. Further, the Agency amended the Code of Ethics and is in the process of amending all By-Laws to further comply with the provisions in the Best Practices Guide. Staff indicated that the Agency purposely decided not to follow some of the recommended practices for practical reasons.

Summary Results of Confidential Evaluation of Board Performance

Criteria	Agree	Somewhat Agree	Somewhat Disagree	Disagree
Board members have a shared understanding of the mission and purpose of the Authority.	1	2		
The policies, practices and decisions of the Board are always consistent with this mission.	2	1		
Board members comprehend their role and fiduciary responsibilities and hold themselves and each other to these principles.	1	2		
The Board has adopted policies, by-laws, and practices for the effective governance, management and operations of the Authority and reviews these annually.	1	2		
The Board sets clear and measurable performance goals for the Authority that contribute to accomplishing its mission.	1	1	1	
The decisions made by Board members are arrived at through independent judgment and deliberation, free of political influence, pressure or self-interest.		3		
Individual Board members communicate effectively with executive staff so as to be well informed on the status of all important issues.	1	1	1	
Board members are knowledgeable about the Authority's programs, financial statements, reporting requirements, and other transactions.		2	1	
The Board meets to review and approve all documents and reports prior to public release and is confident that the information being presented is accurate and complete.	2		1	
The Board knows the statutory obligations of the Authority and if the Authority is in compliance with state law.	2		1	
Board and committee meetings facilitate open, deliberate and thorough discussion, and the active participation of members.	2	1		
Board members have sufficient opportunity to research, discuss, question and prepare before decisions are made and votes taken.		3		
Individual Board members feel empowered to delay votes, defer agenda items, or table actions if they feel additional information or discussion is required.	1	2		
The Board exercises appropriate oversight of the CEO and other executive staff, including setting performance expectations and reviewing performance annually.	2		1	
The Board has identified the areas of most risk to the Authority and works with management to implement risk mitigation strategies before problems occur.		2	1	
Board members demonstrate leadership and vision and work respectfully with each other.	1	2		

Name of Authority: **Buffalo and Erie County Industrial Land Development Corporation**

Date Completed: **March 10, 2015**