

**AUDITED FINANCIAL STATEMENTS**

**ERIE COUNTY INDUSTRIAL DEVELOPMENT  
AGENCY**

**DECEMBER 31, 2018**

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**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**CONTENTS**

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**FINANCIAL SECTION**

	<u>Page</u>
Independent Auditor's Report .....	1 - 2
<b>Management's Discussion and Analysis</b> .....	<b>3 - 8</b>
<b>Financial Statements</b>	
Statements of Net Position .....	9
Statements of Revenues, Expenses, and Changes in Net Position .....	10
Statements of Cash Flows .....	11
<b>Notes to Financial Statements</b> .....	<b>12 - 21</b>
<b>Supplementary Information</b>	
Combining Statements of Net Position .....	22
Combining Statements of Revenues, Expenses and Changes in Net Position.....	23

**INTERNAL CONTROL AND COMPLIANCE**

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	24 - 25
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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Erie County Industrial Development Agency  
Buffalo, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Erie County Industrial Development Agency (the ECIDA), a business-type activity, which comprise the statements of net position as of December 31, 2018 and 2017, 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.

### ***Auditor's 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 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 auditor's 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 the ECIDA, as of December 31, 2018 and 2017, and the changes in its financial position and its cash flows thereof 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 the management's discussion and analysis be presented to supplement the basic 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 basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information 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. The 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 supplementary information, as listed in the table of contents, 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 21, 2019 on our consideration of the ECIDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the ECIDA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ECIDA's internal control over financial reporting and compliance.

*Freed Maxick CPAs, P.C.*

Buffalo, New York  
March 21, 2019



## **ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

### **Management's Discussion and Analysis**

**December 31, 2018  
(UNAUDITED)**

Erie County Industrial Development Agency (ECIDA) is a public benefit corporation that provides tax incentives, financing programs, international trade assistance, land development and other economic development services to the City of Buffalo (the City) and Erie County, New York (the County). In accomplishing its mission, ECIDA does not receive any operational funding from Federal, State, County or local sources. Instead, ECIDA relies primarily upon administrative fees charged to those businesses that utilize its products and services.

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

In compliance with GASB Statement No. 34, we present the attached overview and analysis of the financial activities of ECIDA as of and for the years ended December 31, 2018 and 2017. We encourage readers to consider the information presented here in conjunction with ECIDA's audited financial statements.

#### **Basic Overview of the Financial Statements**

Included in this Annual Report are the following financial statements:

- 1) Statements of Net Position – The statements of net position show the reader what ECIDA owns (assets and deferred outflows of resources) and what ECIDA owes (liabilities and deferred inflows of resources). The difference between ECIDA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) can be one way to measure ECIDA's financial position. Over time, increases or decreases in ECIDA's net position are an indicator of whether its financial health is improving or deteriorating.
- 2) Statements of Revenues, Expenses, and Changes in Net Position – This statement reports ECIDA's operating and nonoperating revenues by major source along with operating and nonoperating expenses. The difference between total revenues and expenses can be one way to measure ECIDA's operating results for the year.
- 3) Statements of Cash Flows – This statement reports ECIDA's cash flows from operating, capital and related financing, and investing activities.

#### **Financial Highlights**

- ECIDA's total net position increased by 2% from \$21,658,000 in 2017 to \$22,115,000 in 2018.
- ECIDA experienced an increase in net position of \$457,000 in 2018 compared to a decrease of \$6,661,000 in 2017.
- Administrative fees, a key source of revenue for ECIDA, decreased 39% from \$1,963,000 in 2017 to \$1,201,000 in 2018.
- Net special project grants increased to \$1,084,000 in 2018 from (\$6,405,000) in 2017.
- Operating expenses decreased 16% from \$3,505,000 in 2017 to \$2,927,000 in 2018.

## Condensed Comparative Financial Statements:

### 1. Statements of Net Position:

The following table (Table 1) presents condensed comparative financial information and was derived from the audited statements of net position of ECIDA.

**Table 1**  
**Statements of Net Position at December 31, 2018 and 2017**  
(Amounts in thousands)

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Assets:</b>				
Cash	\$ 17,302	\$ 17,034	\$ 268	2%
Loans receivable, net of allowance	97	147	(50)	-34%
Capital assets, net	1,444	1,561	(117)	-7%
Other assets	3,574	10,421	(6,847)	-66%
Restricted cash	7,373	4,655	2,718	58%
<b>Total assets</b>	<b>\$ 29,790</b>	<b>\$ 33,818</b>	<b>\$ (4,028)</b>	<b>-12%</b>
<b>Liabilities:</b>				
Current liabilities	\$ 1,377	\$ 7,051	\$ (5,674)	-80%
Funds held on behalf of others	6,242	5,015	1,227	24%
Other long-term liabilities	56	94	(38)	-40%
<b>Total liabilities</b>	<b>7,675</b>	<b>12,160</b>	<b>(4,485)</b>	<b>-37%</b>
<b>Net position:</b>				
Investment in capital assets	1,444	1,561	(117)	-7%
Restricted	12,131	10,980	1,151	10%
Unrestricted	8,540	9,117	(577)	-6%
<b>Total net position</b>	<b>22,115</b>	<b>21,658</b>	<b>457</b>	<b>2%</b>
<b>Total liabilities and net position</b>	<b>\$ 29,790</b>	<b>\$ 33,818</b>	<b>\$ (4,028)</b>	<b>-12%</b>

**Cash** – ECIDA’s cash balance increased 2% or \$268,000 primarily due to an overall change in net position of \$457,000.

**Loans Receivable** – Loans receivable represent a loan to a business under a Federal Urban Development Action Grant (UDAG) loan program and conduit receivables. The \$50,000 decrease in the loans receivable balance is due to conduit loan repayments received during 2018.

**Restricted Cash (Funds held on behalf of others)** – Restricted cash consists primarily of funds held on behalf of others including the Buffalo Brownfields Redevelopment fund, Regional Redevelopment fund, PILOT Increment Financing (PIF) funds and the Regionally Significant Project funds. The \$2,718,000 or 58% increase from 2017 is due to repayment of \$1,450,000 temporarily transferred to Buffalo Urban Development Corporation (BUDC) from the Buffalo Brownfields Redevelopment fund in December 2017, an increase of \$999,000 in the Main Street Improvement District Fund and a \$477,000 increase in the Seneca Street Corridor District Fund.

**Other Assets** – Other assets include ECIDA’s grants receivable, venture capital investments, affiliate receivables, prepaid expenses, and other receivables. The decrease in other assets of \$6,847,000 is primarily due to a decrease in grants receivable of \$5,078,000, as cash was received during the year. Other

receivables also decreased \$1,434,000, mainly due to the repayment of \$1,450,000 to the Buffalo Brownfields Redevelopment Fund by BUDC.

**Current Liabilities** – The \$5,674,000 decrease in current liabilities is primarily due to a \$6,024,000 decrease in unearned revenue related to grant funds awarded but not yet expended, offset by a \$345,000 increase in accounts payable.

**Other Long-Term Liabilities** – Other long-term liabilities primarily consist of conduit debt and decreased due to payments on loan participation agreements made in 2018.

## 2. Change in Net Position:

The following table (Table 2) presents condensed, comparative financial information and was derived from ECIDA's audited statements of revenues, expenses, and changes in net position.

**Table 2**  
**Change in Net Position for the Years ended December 31, 2018 and 2017**  
(Amounts in thousands)

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue:				
Administrative fees	\$ 1,201	\$ 1,963	\$ (762)	-39%
Affiliate management fees	429	391	38	10%
Other income	570	386	184	48%
Total revenue	<u>\$ 2,200</u>	<u>\$ 2,740</u>	<u>\$ (540)</u>	<u>-20%</u>
Expenses:				
Salaries and benefits	\$ 2,017	\$ 1,991	\$ 26	1%
General and administrative	791	1,373	(582)	-42%
Depreciation and other	119	141	(22)	-16%
Total expenses	<u>2,927</u>	<u>3,505</u>	<u>(578)</u>	<u>-16%</u>
Operating loss before special project grants	(727)	(765)	38	-5%
Special grants and nonoperating revenue				
Net special project grants	1,084	(6,405)	7,489	-117%
Investment income	42	487	(445)	-91%
Interest income	58	22	36	164%
Change in net position	<u>\$ 457</u>	<u>\$ (6,661)</u>	<u>\$ 7,118</u>	<u>-107%</u>

### 3. Revenue Analysis:

**Administrative Fees** – Administrative fees are primarily collected from the issuance of various forms of tax abatements and tax-exempt financing. ECIDA relies on these fees to cover its operating costs; however, the amount of fees collected in any given year is largely dependent upon the local economic climate. Administrative fees decreased \$762,000 or 39% in 2018 primarily due to a decrease in the number and size of projects from twenty-seven approved in 2017 to thirteen approved projects in 2018. Also, ECIDA received \$83,000 of administrative fees from ILDC for projects closed during 2018. During 2017, two projects were closed through ILDC that generated \$484,000 of administrative fees that were passed-through to ECIDA.

**Affiliate Management Fees** – Affiliate management fees represent salaries and overhead costs charged to the following ECIDA affiliates for services that ECIDA’s employees provide to these organizations:

- Buffalo & Erie County Regional Development Corporation (RDC) – a lending corporation affiliated with ECIDA.
- Buffalo & Erie County Industrial Land Development Corporation (ILDC) – a land development corporation affiliated with ECIDA.

The following table (Table 3) illustrates the amounts charged to ECIDA’s affiliated corporations in 2018 with comparisons for 2017:

**Table 3**  
**Affiliate Management Fees for the Years ended December 31, 2018 and 2017**  
(Amounts in thousands)

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Affiliate Management Fees Charged:				
RDC	\$ 352	\$ 369	\$ (17)	-5%
ILDC	77	22	55	250%
Total Affiliate Management Fees	<u>\$ 429</u>	<u>\$ 391</u>	<u>\$ 38</u>	<u>10%</u>

Affiliate management fees charged to RDC decreased \$17,000 or 5% due to decreases in staff time spent on RDC activities. Those charged to ILDC increased \$55,000 due to substantial ECIDA staff time spent on ILDC’s projects at the former Bethlehem Steel property during 2018.

**Other Income** – Other income is comprised of rental income, international division revenues, loan interest, and miscellaneous income. The increase of \$184,000 or 48% in 2018 is due mainly to the recovery of a previously written off loan of \$150,000.

#### **4. Expense Analysis:**

**Salaries and Benefits** – Increase of \$26,000 in 2018 is primarily due to modest salary increases and an increased amount of temporary labor required during 2018.

**General and Administrative** – In 2018, General and Administrative expenses decreased \$582,000 from \$1,373,000 to \$791,000. Key expense differences in 2018 include the following:

- Consultant expense decreased \$482,000 due a decrease in costs associated with the Z7+ facility as a development partner is sought.
- The Agency's membership cost for Invest Buffalo Niagara of \$75,000 in 2017 was reduced to \$50,000 in 2018 and considered a strategic initiative.
- Sponsorship expenses decreased \$21,000 due to fewer sponsorships of economic development initiatives and conferences than in 2017.
- Rent expense increased \$12,000 due to the negotiation of a lease extension that included an increase in base rent.
- Costs for public notices decreased \$11,000 due a decrease in the number of public notices required for meetings and projects.

**Depreciation** – Depreciation expense was \$116,000 for 2018 compared to \$140,000 for 2017.

**Net Special Project Grants** – Net Special Project Grants increased from a \$6,405,000 net loss in 2017 to a net gain of \$1,084,000 in 2018. In 2018, \$1,390,000 was reimbursed to ECIDA for the acquisition of property and certain other costs related to the Bethlehem Steel project. \$6,735,000 was also spent on certain projects, which will be reimbursed in accordance with applicable grant agreements.

**Investment Income** – Investment income of \$42,000 consists of a realized gain on one of ECIDA's venture capital investments. In 2017, there was an unrealized gain of \$487,000 because the investment had increased in value but was not yet sold.

## 5. Budget Analysis:

ECIDA prepares an annual budget which was presented and approved by the Board of Directors on October 25, 2017. The following table (Table 4) presents an analysis of ECIDA's performance compared to the approved 2018 budget.

**Table 4**  
**Budget to Actual Analysis for the year ended December 31, 2018**  
(Amounts in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
Revenue:				
Administrative fees	\$ 1,201	\$ 1,960	\$ (759)	-39%
Affiliate management fees	429	487	(58)	-12%
Other income	570	329	241	73%
Total revenue	<u>2,200</u>	<u>2,776</u>	<u>(576)</u>	<u>-21%</u>
Expenses:				
Salaries and benefits	2,017	2,052	(35)	-2%
General and administrative	791	733	58	8%
Depreciation and other	119	140	(21)	-15%
Total expenses	<u>2,927</u>	<u>2,925</u>	<u>2</u>	<u>0%</u>
Operating income before special project grants	(727)	(149)	(578)	388%
Net special project grants	1,084	(1,182)	2,266	-192%
Investment income	42	-	42	100%
Interest income	58	16	42	263%
Change in net position	<u>\$ 457</u>	<u>\$ (1,315)</u>	<u>\$ 1,772</u>	<u>-135%</u>

## Budget to Actual Analysis:

Overall, ECIDA exceeded its budgeted decrease in net position for 2018 by \$1,772,000. Total revenue was 21% below the budgeted amount due to the lower number and smaller size of tax incentive projects approved and closed than budgeted based on a ten-year average. Total expenses were \$2,000 above budget. Net special project grants had a positive variance of \$2,266,000 as some of the budgeted special projects were not funded in 2018, including \$1,000,000 of venture capital activity, which was included in the budget as a placeholder.

## 6. Economic Factors Impacting ECIDA:

ECIDA relies extensively upon administrative fees to generate the majority of its annual revenue. As a result of current uncertain economic conditions and potential legislative/board actions, ECIDA's ability to generate the administrative fees necessary to support operations may be limited in the future.

## 7. Requests for Information:

This financial report is designed to provide a general overview of ECIDA's finances. Questions concerning any of the financial information provided in this report should be addressed to the CFO of ECIDA at (716) 856-6525. General information relating to ECIDA can be found at its website, [www.ecidany.com](http://www.ecidany.com).

**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENTS OF NET POSITION  
DECEMBER 31,**

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 17,301,840	\$ 17,033,702
Receivables		
Current portion of conduit loans	37,530	37,530
Current portion of loans	3,177	12,336
Affiliates	562,274	394,579
Grants	2,214,348	7,291,960
Other	97,877	1,531,834
Prepaid expenses	65,877	31,887
Total current assets	<u>20,282,923</u>	<u>26,333,828</u>
<b>Noncurrent assets:</b>		
Conduit loans receivable	56,294	93,824
Loans receivable, net	-	3,167
Capital assets, net	1,443,533	1,560,717
Investments	634,061	1,171,227
Restricted cash	7,373,468	4,655,308
Total noncurrent assets	<u>9,507,356</u>	<u>7,484,243</u>
 Total assets	 <u>\$ 29,790,279</u>	 <u>\$ 33,818,071</u>
 <b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 531,452	\$ 186,052
Accrued expenses	166,798	161,800
Current portion of conduit debt	37,530	37,530
Unearned revenue	641,399	6,665,778
Total current liabilities	<u>1,377,179</u>	<u>7,051,160</u>
<b>Noncurrent liabilities:</b>		
Conduit debt	56,294	93,824
Funds held on behalf of others	6,242,027	5,015,035
Total noncurrent liabilities	<u>6,298,321</u>	<u>5,108,859</u>
 Total liabilities	 <u>7,675,500</u>	 <u>12,160,019</u>
 <b>NET POSITION</b>		
Investment in capital assets	1,443,533	1,560,717
Restricted	12,130,721	10,980,329
Unrestricted	8,540,525	9,117,006
Total net position	<u>22,114,779</u>	<u>21,658,052</u>
 Total liabilities and net position	 <u>\$ 29,790,279</u>	 <u>\$ 33,818,071</u>

See accompanying notes.

**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<b>Operating revenues:</b>		
Administrative fees	\$ 1,200,992	\$ 1,962,918
Affiliate management fees	429,446	391,140
Rental income	291,852	287,048
Loan interest	6,185	6,890
Loan recoveries	150,000	-
Other income	121,527	92,217
Total operating revenues	<u>2,200,002</u>	<u>2,740,213</u>
<b>Operating expenses:</b>		
Salaries and benefits	2,017,337	1,991,231
General and administrative	790,837	1,372,758
Depreciation	115,880	139,508
Other expenses	3,214	1,663
Total operating expenses	<u>2,927,268</u>	<u>3,505,160</u>
Operating loss before special project grants	(727,266)	(764,947)
<b>Special project grants:</b>		
Revenues	8,245,129	1,048,063
Expenses	(7,160,909)	(7,453,026)
Total special project grants	<u>1,084,220</u>	<u>(6,404,963)</u>
Operating income (loss)	356,954	(7,169,910)
<b>Non-operating revenues:</b>		
Investment income	42,401	487,163
Interest income	57,372	22,127
Total non-operating revenues	<u>99,773</u>	<u>509,290</u>
Change in net position	456,727	(6,660,620)
Net position - beginning of year	<u>21,658,052</u>	<u>28,318,672</u>
Net position - end of year	<u>\$ 22,114,779</u>	<u>\$ 21,658,052</u>

See accompanying notes.



**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Cash from fees and rental income	\$ 2,926,801	\$ 1,655,349
Cash from special project grants	7,298,362	21,881
Loans and loan interest collected	168,511	18,731
Cash received from affiliates and other sources	383,278	451,107
Payments to employees, suppliers, and other	(2,493,676)	(3,494,807)
Payments for special project grants	(7,160,909)	(7,453,026)
<b>Net cash provided (used) by operating activities</b>	<u>1,122,367</u>	<u>(8,800,765)</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	-	(35,347)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>-</u>	<u>(35,347)</u>
<b>Cash flows from investing activities:</b>		
Change in restricted cash, net of funds held on behalf of others	(1,491,168)	1,475,743
Cash received from equity investments	579,567	-
Interest	57,372	22,127
<b>Net cash provided (used) by investing activities</b>	<u>(854,229)</u>	<u>1,497,870</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>268,138</b>	<b>(7,338,242)</b>
<b>Cash and cash equivalents - beginning of year</b>	<u>17,033,702</u>	<u>24,371,944</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 17,301,840</u>	<u>\$ 17,033,702</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	356,954	\$ (7,169,910)
Adjustment to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	115,880	139,508
Loss on disposal of asset	1,304	-
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables	6,356,200	(5,906,986)
Prepaid expenses	(33,990)	17,230
Increase (decrease) in:		
Accounts payable	345,400	(152,922)
Accrued expenses	4,998	6,537
Unearned revenue	(6,024,379)	4,265,778
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,122,367</u>	<u>\$ (8,800,765)</u>

See accompanying notes.

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**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Erie County Industrial Development Agency (ECIDA) have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of ECIDA's accounting policies are described below.

**A. REPORTING ENTITY**

Erie County Industrial Development Agency (ECIDA) was created in 1970 by an act of the Legislature of the State of New York (the State) for the purpose of encouraging financially sound companies to establish themselves and prosper in Erie County (the County).

ECIDA has related party relationships with Buffalo and Erie County Industrial Land Development Corporation (ILDC) and Buffalo and Erie County Regional Development Corporation (RDC). All three entities are managed by the same personnel and RDC currently shares a common board with ECIDA. These entities share the same business objective which is the stimulation of the local economy through the funding of ventures which ultimately result in job creation, retention, and/or investment in the County.

**B. BASIS OF PRESENTATION**

Revenues from administrative fees and interest on loans are reported as operating revenues. All expenses related to the ECIDA are reported as operating expenses. Interest income and realized and unrealized gains are reported as non-operating income.

When both restricted and unrestricted resources are available for use, it is the ECIDA's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The ECIDA reports as a special-purpose government engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The financial statements of the ECIDA are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place.

Nonexchange transactions, in which the ECIDA gives or receives value without directly receiving or giving equal value in exchange, include grants. Revenue from grants is recognized in the year in which all eligibility requirements have been satisfied.

**D. TAX INCENTIVE TRANSACTIONS**

ECIDA maintains an economic development incentive program to provide sales, property, and/or mortgage recording tax benefits for qualified construction, renovation, or expansion projects or other economic development activities within Erie County. Under this program, ECIDA may take title to or a leasehold interest in the real and/or personal property involved in the project for the term of the incentive period. ECIDA simultaneously leases the property under a lease agreement to the company undertaking the project (lessee). ECIDA receives administrative fees from the lessee for providing these tax incentives which are recognized according to the terms of the fee agreement.

**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

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ECIDA is an issuer of tax-exempt bond financing for qualified manufacturers and low-income housing projects. These bonds are obligations of the borrower. Since ECIDA has no obligation to repay the principal and interest of such bonds, they are not reflected as liabilities in the accompanying financial statements. ECIDA receives bond issuance fees from the borrower for providing this service. ECIDA also has a shared services agreement with ILDC under which administrative and staffing services are provided to ILDC in connection with its bond issuances to nonprofit organizations in exchange for the related bond issuance fees received by ILDC. Such fees totaled \$82,985 and \$483,684, respectively, for the years ended December 31, 2018 and 2017.

**E. CASH AND CASH EQUIVALENTS**

The ECIDA's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

**F. LOANS RECEIVABLE**

Loans receivable are presented net of an allowance for uncollectible accounts. The ECIDA maintains an allowance for estimated uncollectible accounts which 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. Accrual of interest ceases when management adjusts a loan reserve to 50% or more of the loan's outstanding balance.

**G. PREPAID EXPENSES**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

**H. CAPITAL ASSETS**

Capital assets are recorded at acquisition cost and depreciated over the estimated useful lives of the respective assets using the straight-line method. The cost of repairs, maintenance and minor replacements are expensed as incurred, whereas expenditures that materially extend property lives are capitalized. When depreciable property is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income. Contributed capital assets are recorded at fair value at the date received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the ECIDA are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$1,000	Straight-line	3-10 years
Buildings and improvements	\$1,000	Straight-line	5-40 years

In 1989, ECIDA developed a public warehouse and trans-shipment facility (the Port Terminal Facility) at the Gateway Metroport facility in the City of Lackawanna. The Port Terminal Facility provides enclosed storage facilities and materials handling services for the trans-shipment of goods by water, rail and truck. The facility is owned by ECIDA and is operated by Gateway Trade Center, Inc. Rental property is recorded at cost which includes all costs incurred during the development stage, net of accumulated depreciation. Port Terminal Facility rental property assets are fully depreciated.

ECIDA also owns its former office space at 143 Genesee Street. This property is recorded at cost and leased to a third party.

**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

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**I. INSURANCE**

The ECIDA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks has not yet exceeded commercial insurance coverage for the past three years.

**J. GRANTS**

Grants are recognized at the time awarded, with timing differences resulting from funds spent and earned. ECIDA receives special project grants from various Federal, State and County governments. ECIDA also acts as a pass-through entity for certain companies who receive funding from the State, including the Department of Transportation (DOT).

In certain cases, funding is received in the form of a combination of a grant and a loan. One year after completion of the specified program and with State approval and acceptance, companies begin repaying the loan. A long-term liability and repayment plan receivable are established as the companies receiving the funding from the State are contractually obligated to repay ECIDA for its debt service requirements to the State. The payment terms of the conduit receivables are equivalent to the terms of ECIDA's loans to the State.

**K. NET POSITION**

Equity is classified as net position and displayed in three components:

- a. *Investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. *Restricted* - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by Federal urban development action grants (UDAG).
- c. *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 ECIDA.

**L. STATEMENTS OF CASH FLOWS**

For the purposes of the statement of cash flows, the ECIDA considers all cash to be unrestricted including demand accounts and certificates of deposit with an original maturity of generally three months or less.

**M. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

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**N. ACCOUNTING PRONOUNCEMENTS**

The ECIDA evaluated the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues*, which became effective for the year ended December 31, 2018. The ECIDA determined that these Statements have no significant impact on the ECIDA's financial statements in the current year.

The following are GASB Statements that have been issued recently and are currently being evaluated, by the ECIDA, for their potential impact in future years.

- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending December 31, 2019.
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending December 31, 2019.
- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2020.
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which will be effective for the year ending December 31, 2019.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending December 31, 2020.
- Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which will be effective for the year ending December 31, 2019.

The ECIDA is currently reviewing these statements and plans on adoption, as required.

**O. OTHER ASSETS**

Other assets include venture capital investments made by ECIDA in order to spur local economic growth. The Urban Development Action Grant (UDAG) and General Accounts include venture capital investments that are recorded at the lesser of cost or fair value.

**NOTE 2 - CASH AND INVESTMENTS**

**A. ASSETS**

**1. CASH AND INVESTMENTS**

ECIDA's investment policies are governed by State statutes. In addition, ECIDA has its own written investment policy. ECIDA monies must be deposited in Federal Deposit Insurance Corporation (FDIC)-insured commercial banks or trust companies located within the State. ECIDA is authorized to use interest bearing 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 and its localities.

Collateral is required for demand deposits and certificates of deposits 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.

As of December 31, 2018 and 2017, the ECIDA aggregate bank deposits were considered fully collateralized.

**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

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Investment and Deposit Policy

ECIDA follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of ECIDA’s Chief Financial Officer.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. ECIDA’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

ECIDA’s policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. ECIDA’s investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with ECIDA’s investment and deposit policy, all deposits of ECIDA including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Corporation (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. ECIDA restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by the State of New York and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

**2. LOANS RECEIVABLE**

Loans are made to local business to complement private financing at a 4% interest rate with varying repayment terms. All loans are classified as commercial loans. Loans in non-accrual status are fully reserved. The following is a summary of the loans receivable.

	<u>2018</u>	<u>2017</u>
Total loans receivable	\$ 3,177	\$ 165,503
Less: allowance for uncollectible loans	<u>-</u>	<u>150,000</u>
Loans receivable, net	3,177	15,503
Less: current maturities	<u>3,177</u>	<u>12,336</u>
Loans receivable - long-term	<u>\$ -</u>	<u>\$ 3,167</u>

**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 3 – FUNDS HELD ON BEHALF OF OTHERS**

ECIDA acts as a fiduciary for certain cash held for various development activities. ECIDA disburses these funds when given the appropriate authorization. The funds include:

	<u>2018</u>	<u>2017</u>
Erie County Regional Redevelopment Fund	\$ 1,219,329	\$ 1,262,970
Buffalo Brownfields Redevelopment Fund	2,045,460	2,247,594
Regionally Significant Project Funds:		
Buffalo Economic Renaissance Corporation	17,068	23,262
Buffalo Urban Development Corporation	102,960	100,530
Erie Niagara Regional Partnership	5,616	5,616
Seneca Street Corridor	909,358	432,230
Main Street Improvement Fund	1,942,236	942,833
Total funds held on behalf of others	<u>6,242,027</u>	<u>5,015,035</u>
Railway Trust Fund	131,441	90,273
Sales proceeds held in escrow	1,000,000	1,000,000
Total restricted cash	<u>\$ 7,373,468</u>	<u>\$ 6,105,308</u>

In December 2017, ECIDA temporarily transferred funds in the amount of \$1,450,000 to Buffalo Urban Development Corporation (BUDC) for projects relating to the Buffalo Brownfields Redevelopment Fund (BBRF). This amount was transferred from BBRF restricted cash held by ECIDA and was repaid by BUDC on January 2, 2018.

**NOTE 4 – GRANTS RECEIVABLE**

The following is a summary of grants receivable at December 31:

	<u>2018</u>	<u>2017</u>
Buffalo Southern Railroad - 2017 PFRAP		
Rail Improvement	\$ 280,140	\$ 2,225,213
Sumitomo Dunlop Rail - PFRAP	165,256	465,950
National Grid - Zero Net Energy Building	125,000	125,000
Bethlehem Rail Phase II	1,643,952	4,475,797
Total	<u>\$ 2,214,348</u>	<u>\$ 7,291,960</u>



**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for ECIDA for the year ended December 31, 2018 was as follows:

	Balance 01/01/18	Increases	Decreases	Balance 12/31/18
Capital assets not being depreciated:				
Land	\$ 167,400	\$ -	\$ -	\$ 167,400
Capital assets being depreciated:				
Land improvements	1,106,386	-	-	1,106,386
Buildings	2,747,489	-	-	2,747,489
Furniture and equipment	479,885	-	8,141	471,744
Total capital assets, being depreciated	<u>4,333,760</u>	<u>-</u>	<u>8,141</u>	<u>4,325,619</u>
Less accumulated depreciation:				
Land improvements	661,764	54,528	-	716,292
Buildings	1,882,291	36,044	-	1,918,335
Furniture and equipment	396,388	25,308	6,837	414,859
Total accumulated depreciation	<u>2,940,443</u>	<u>115,880</u>	<u>6,837</u>	<u>3,049,486</u>
Total capital assets being depreciated, net	<u>1,393,317</u>	<u>(115,880)</u>	<u>1,304</u>	<u>1,276,133</u>
Governmental activities capital assets, net	<u>\$ 1,560,717</u>	<u>\$ (115,880)</u>	<u>\$ 1,304</u>	<u>\$ 1,443,533</u>

Capital asset activity for ECIDA for the year ended December 31, 2017 was as follows:

	Balance 01/01/17	Increases	Decreases	Balance 12/31/17
Capital assets not being depreciated:				
Land	\$ 167,400	\$ -	\$ -	\$ 167,400
Capital assets being depreciated:				
Land improvements	1,098,298	8,088	-	1,106,386
Buildings	2,747,489	-	-	2,747,489
Furniture and equipment	457,452	27,259	4,826	479,885
Total capital assets, being depreciated	<u>4,303,239</u>	<u>35,347</u>	<u>4,826</u>	<u>4,333,760</u>
Less accumulated depreciation:				
Land improvements	607,236	54,528	-	661,764
Buildings	1,846,248	36,043	-	1,882,291
Furniture and equipment	352,277	48,937	4,826	396,388
Total accumulated depreciation	<u>2,805,761</u>	<u>139,508</u>	<u>4,826</u>	<u>2,940,443</u>
Total capital assets being depreciated, net	<u>1,497,478</u>	<u>(104,161)</u>	<u>-</u>	<u>1,393,317</u>
Governmental activities capital assets, net	<u>\$ 1,664,878</u>	<u>\$ (104,161)</u>	<u>\$ -</u>	<u>\$ 1,560,717</u>

**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 6 - INVESTMENTS**

The ECIDA's investments consisted of the following at December 31:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Common stock	-	-	50,002	537,166
Equity interest	987,187	634,061	987,187	634,061
	<u>\$ 987,187</u>	<u>\$ 634,061</u>	<u>\$ 1,037,189</u>	<u>\$ 1,171,227</u>

In accordance with GASB Statement No. 72 Fair Value Measurement and Application, investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date. U.S. GAAP establishes a framework for measuring fair value of assets and liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Valuation is based on quoted prices (unadjusted) in active markets for identical assets or liabilities in active markets that the ECIDA has ability to access.
- Level 2: Valuation is based upon quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3: Valuation is based upon unobservable inputs that are significant to the fair value measurement.

Where quoted prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, fair values are estimated using quoted prices of securities with similar characteristics or inputs other than quoted prices that are observable for the security, and would be classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities would be classified within Level 3 of the valuation hierarchy.

Following is a description of valuation methodologies used at December 31, 2018 and 2017:

**Common stock and bonds** - Valued at the closing price reported on the active market on which the individual securities are listed.

**Equity interest** - Value based analysis performed by industry consultant familiar with the industries in which the ECIDA has equity interest.

**NOTE 7 - UNEARNED REVENUE**

ECIDA received a New York State DOT grant in the amount of \$365,950 in August 2017 as part of the Passenger and Freight Rail Assistance Program. This grant also includes a \$100,000 local share of eligible project costs, which Sumitomo Rubber USA, LLC has agreed to contribute. As of December 31, 2018, \$103,272 is included as unearned revenue as the grant funding is reimbursable for costs incurred by ECIDA, and \$362,678 had been expended.

**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

ECIDA received a grant in the amount of \$5,200,000 from Erie County (\$4,870,000) and New York State DOT Multi-Modal Funds (\$330,000) in 2017. As of December 31, 2018, \$395,627 is included as unearned revenue as the grant funding is reimbursable for costs incurred by ECIDA, and \$4,804,373 had been expended.

ECIDA received an Economic Development Program grant from National Grid in the amount of \$125,000 in January 2017. As of December 31, 2018, the entirety of that amount is included as unearned revenue as ECIDA has not begun expending grant funds.

Unearned revenue also includes a balance of \$17,500 from a Local Records Management Grant awarded in 2018.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

Affiliate Management Fees

ECIDA allocates a portion of personnel and rental costs to its affiliates, RDC and ILDC. ECIDA earned \$429,446 and \$391,140 in affiliate management fees for the years ended December 31, 2018 and 2017, respectively. Management fees and related receivables by affiliate are as follows:

	<u>Management Fees</u>		<u>Receivables</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
RDC	\$ <u>352,714</u>	368,627	\$ <u>353,527</u>	371,970
ILDC	<u>76,732</u>	22,513	<u>208,747</u>	22,609
Total	\$ <u><u>429,446</u></u>	\$ <u><u>391,140</u></u>	\$ <u><u>562,274</u></u>	\$ <u><u>394,579</u></u>

ECIDA also provides personnel to perform administrative and accounting functions on behalf of Buffalo Urban Development Corporation, which amounted to \$83,474 and \$67,258 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 9 – OPERATING LEASES**

Office rent expense for the years ended December 31, 2018 and 2017 amounted to \$157,364 and \$145,008, respectively.

The ECIDA renewed their office lease agreement with Empire State Development effective for the period of October 1, 2018 through September 30, 2023. This lease agreement states a base lease amount of \$202,554 per annum plus utility charges that will be determined on an annual basis.

ECIDA recognized \$208,532 and \$203,535 of rental income on its former office for the years ended December 31, 2018 and 2017, respectively. The net book value of the leased property is approximately \$1,111,800 at December 31, 2018.

Future annual rental income anticipated under this noncancelable lease is:

2019	\$ 209,869
2020	209,869
2021	209,869
2022	122,423
	\$ <u><u>752,030</u></u>

**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 10 - PENSION**

ECIDA maintains a defined contribution simplified employee pension (SEP) plan covering all of its employees. Employees are eligible to participate six months after employment, with employer contributions vesting immediately. During 2018 and 2017, ECIDA made discretionary contributions of 12% of eligible employees' salaries. ECIDA's expense for contribution to the plan for the years ended December 31, 2018 and 2017 amounted to \$169,576 and \$170,164, respectively. Employees are also permitted to participate in the New York State Deferred Compensation Plan but ECIDA does not make contributions to this plan.

**NOTE 11 - SUBSEQUENT EVENTS**

These financial statements have not been updated for subsequent events occurring after March 21, 2019 which is the date these financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

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**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

	<u>General Account</u>	<u>UDAG Account</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 6,720,157	\$ 10,581,683	\$ 17,301,840
Receivables			
Current portion of conduit loans	37,530	-	37,530
Current portion of loans	-	3,177	3,177
Affiliates	430,774	131,500	562,274
Grants	2,214,348	-	2,214,348
Other	97,877	-	97,877
Prepaid expenses	65,877	-	65,877
Total current assets	<u>9,566,563</u>	<u>10,716,360</u>	<u>20,282,923</u>
<b>Noncurrent assets:</b>			
Conduit loans receivable	56,294	-	56,294
Capital assets, net	1,443,533	-	1,443,533
Investments	124,389	509,672	634,061
Restricted cash	6,373,468	1,000,000	7,373,468
Total noncurrent assets	<u>7,997,684</u>	<u>1,509,672</u>	<u>9,507,356</u>
Total assets	<u>\$ 17,564,247</u>	<u>\$ 12,226,032</u>	<u>\$ 29,790,279</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 436,141	\$ 95,311	\$ 531,452
Accrued expenses	166,798	-	166,798
Current portion of conduit debt	37,530	-	37,530
Unearned revenue	641,399	-	641,399
Total current liabilities	<u>1,281,868</u>	<u>95,311</u>	<u>1,377,179</u>
<b>Noncurrent liabilities:</b>			
Conduit debt	56,294	-	56,294
Funds held on behalf of others	6,242,027	-	6,242,027
Total noncurrent liabilities	<u>6,298,321</u>	<u>-</u>	<u>6,298,321</u>
Total liabilities	<u>7,580,189</u>	<u>95,311</u>	<u>7,675,500</u>
<b>NET POSITION</b>			
Investment in capital assets	1,443,533	-	1,443,533
Restricted	-	12,130,721	12,130,721
Unrestricted	8,540,525	-	8,540,525
Total net position	<u>9,984,058</u>	<u>12,130,721</u>	<u>22,114,779</u>
Total liabilities and net position	<u>\$ 17,564,247</u>	<u>\$ 12,226,032</u>	<u>\$ 29,790,279</u>

**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General Account</u>	<u>UDAG Account</u>	<u>Total</u>
<b>Operating revenues:</b>			
Administrative fees	\$ 1,200,992	\$ -	\$ 1,200,992
Affiliate management fees	429,446	-	429,446
Rental income	291,852	-	291,852
Loan interest	-	6,185	6,185
Loan recoveries	-	150,000	150,000
Other income	121,527	-	121,527
Total operating revenue	<u>2,043,817</u>	<u>156,185</u>	<u>2,200,002</u>
<b>Operating expenses:</b>			
Salaries and benefits	2,017,337	-	2,017,337
General and administrative	660,087	130,750	790,837
Depreciation	115,880	-	115,880
Other expenses	3,214	-	3,214
Total operating expenses	<u>2,796,518</u>	<u>130,750</u>	<u>2,927,268</u>
Operating income (loss) before special project grants	(752,701)	25,435	(727,266)
<b>Special project grants:</b>			
Revenues	6,855,129	1,390,000	8,245,129
Expenses	<u>(6,818,909)</u>	<u>(342,000)</u>	<u>(7,160,909)</u>
Total special project grants	<u>36,220</u>	<u>1,048,000</u>	<u>1,084,220</u>
Operating income (loss)	(716,481)	1,073,435	356,954
<b>Nonoperating revenues:</b>			
Investment income	-	42,401	42,401
Interest income	22,816	34,556	57,372
Total nonoperating revenues	<u>22,816</u>	<u>76,957</u>	<u>99,773</u>
Change in net position	(693,665)	1,150,392	456,727
Net position - beginning of year	<u>10,677,723</u>	<u>10,980,329</u>	<u>21,658,052</u>
Net position - end of year	<u>\$ 9,984,058</u>	<u>\$ 12,130,721</u>	<u>\$ 22,114,779</u>



## **INTERNAL CONTROL AND COMPLIANCE**

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**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**

**INDEPENDENT AUDITOR'S REPORT**

To the Members of the  
Erie County Industrial Development Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Erie County Industrial Development Agency (ECIDA), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise ECIDA's financial statements, and have issued our report thereon dated March 21, 2019.

**Internal Control Over Financial Reporting**

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

*Freed Maxick CPAs, P.C.*

Buffalo, New York  
March 21, 2019



## **INDEPENDENT ACCOUNTANT'S REPORT**

To the Members of the Board of Directors  
Erie County Industrial Development Agency  
95 Perry Street, Suite 403  
Buffalo, New York 14203

We have examined the Erie County Industrial Development Agency's (the ECIDA) compliance with the New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law (collectively, the "Investment Guidelines") for the period January 1, 2018, through December 31, 2018. Management of the ECIDA is responsible for the ECIDA's compliance with the specified requirements. Our responsibility is to express an opinion on the ECIDA's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the ECIDA complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the ECIDA complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the ECIDA's compliance with specified requirements.

In our opinion, the ECIDA complied, in all material respects, with the aforementioned requirements for the period of January 1, 2018, through December 31, 2018.

This report is intended solely for the information and use of the Board of Directors, management and others within the ECIDA and the New York State Authorities Budget Office, and is not intended to be and should not be used by anyone other than these specified parties.

*Freed Maxick CPAs, P.C.*

Buffalo, New York  
March 21, 2019