AUDITED FINANCIAL STATEMENTS

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

DECEMBER 31, 2017

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ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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FreedMaxick CPAs, P.C.

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 statement of net position as of December 31, 2017, the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, 2017, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of the ECIDA as of and for the year ended December 31, 2016 were audited by other auditors whose report dated March 13, 2017 expressed an unmodified opinion on those statements.

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 audit was 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 13, 2018 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 13, 2018

FreedMaxick™ CPAs, P.C.

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

December 31, 2017
(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, 2017 and 2016. 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 decreased by 24% from $28,319,000 in 2016 to $21,658,000 in 2017.
- ECIDA experienced a decrease in net position of $6,661,000 in 2017 compared to an increase of $4,700,000 in 2016.
- Administrative fees, a key source of revenue for ECIDA, increased 28% from $1,528,000 in 2016 to $1,963,000 in 2017.
- Earnings from venture capital investments decreased to $487,000 in 2017 from $7,252,000 in 2016.
- Operating expenses remained consistent at $3,505,000 in 2017, compared to $3,504,000 in 2016.

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, 2017 and 2016
(Amounts in thousands)

	2017	2016	$ Change	% Change
Assets:				
Cash	$ 17,034	$ 24,372	$ (7,338)	-30%
Loans receivable, net of allowance	147	196	(49)	-25%
Capital assets, net	1,561	1,665	(104)	-6%
Other assets	10,421	4,033	6,388	158%
Restricted cash	4,655	4,834	(179)	-4%
Total assets	$ 33,818	$ 35,100	$ (1,282)	-4%
Liabilities:				
Current liabilities	$ 7,059	$ 2,932	$ 4,127	141%
Funds held on behalf of others	5,007	3,718	1,289	35%
Other long-term liabilities	94	131	(37)	-28%
Total liabilities	12,160	6,781	5,379	79%
Net position:				
Net investment in capital assets	1,561	1,665	(104)	-6%
Restricted	10,980	17,256	(6,276)	-36%
Unrestricted	9,117	9,398	(281)	-3%
Total net position	21,658	28,319	(6,661)	-24%
Total liabilities and net position	$ 33,818	$ 35,100	$ (1,282)	-4%

Cash – ECIDA's cash balance decreased 30% or $7,338,000 primarily due to grants of $6,500,000 paid to Buffalo & Erie County Industrial Land Development Corporation (ILDC) for the purchase of land at the former Bethlehem Steel site. An additional $750,000 was used to fund other strategic initiatives during the year.

Loans Receivable – Loans receivable represent various loans to businesses under a Federal Urban Development Action Grant (UDAG) loan program and conduit receivables. The $49,000 decrease in the loans receivable balance is due to loan repayments received during 2017.

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, and the Regionally Significant Project funds. The $179,000 or 4% decrease from 2017 is due to utilization of the Buffalo Brownfields Redevelopment fund (including $1,450,000 temporarily transferred to Buffalo Urban Development Corporation (BUDC) in December) offset by the receipt of $943,000 received for the Main Street Improvement District Fund and a $229,000 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 increase in other assets of $6,388,000 is primarily due to an increase in grants receivable of $5,292,000, as three new grants were awarded to ECIDA in 2017 and an existing grant award was increased. ECIDA also recognized an unrealized gain on its venture investments of $487,000 in 2017.

Current Liabilities – The $4,127,000 increase in current liabilities is primarily due to a $4,266,000 increase in unearned revenue related to grant funds awarded but not yet expended, offset by a $145,000 decrease 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 2017.

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, 2017 and 2016
(Amounts in thousands)

	2017	2016	$ Change	% Change
Revenue:				
Administrative fees	$ 1,963	$ 1,528	$ 435	28%
Affiliate management fees	391	362	29	8%
Other income	386	382	4	1%
Total revenue	$ 2,740	$ 2,272	$ 468	21%
Expenses:				
Salaries and benefits	$ 1,991	$ 1,895	$ 96	5%
General and administrative	1,373	1,468	(95)	-6%
Depreciation and other	141	141	-	0%
Total expenses	3,505	3,504	1	0%
Operating loss before special project grants	(765)	(1,232)	467	-38%
Special grants and nonoperating revenue				
Net special project grants	(6,405)	(1,343)	(5,062)	377%
Investment income	487	7,252	(6,765)	-93%
Interest income	22	23	(1)	-4%
Change in net position	$ (6,661)	$ 4,700	$ (11,361)	-242%

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 increased $435,000 or 28% in 2017 primarily due to an increase in the number of projects from fourteen in 2016 to twenty-seven approved projects in 2017. Also, ECIDA received $484,000 of administrative fees from ILDC for projects closed during 2017. During 2016, one project was closed through ILDC that generated $157,000 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 2017 with comparisons for 2016:

Table 3
Affiliate Management Fees for the Years ended December 31, 2017 and 2016
(Amounts in thousands)

	2017	2016	$ Change	% Change
Affiliate Management Fees Charged:				
RDC	$ 369	$ 361	$ 8	2%
ILDC	22	1	21	2100%
Total Affiliate Management Fees	$ 391	$ 362	$ 29	8%

Affiliate management fees charged to RDC increased slightly due to increases in personnel costs. Those charged to ILDC increased significantly due to substantial ECIDA staff time spent on ILDC's Bethlehem Steel property acquisition during 2017.

Other Income – Other income is comprised of rental income, international division revenues, loan interest, and miscellaneous income.

Salaries and Benefits – Increase of $96,000 in 2017 is primarily due to a $60,000 increase in payroll expenses due to overall salary increases and an intern hired during the year. Health insurance costs also increased $22,000.

4. Expense Analysis:

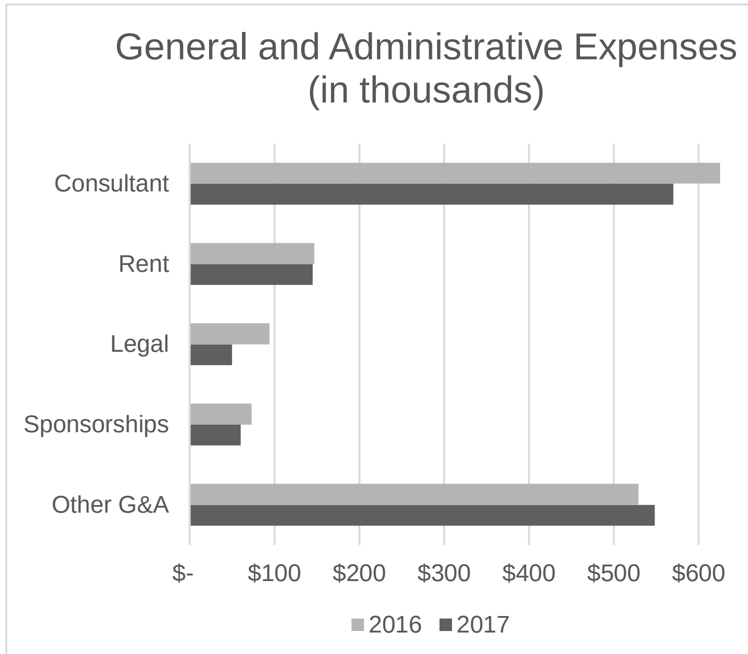
General and Administrative – In 2017, General and Administrative expenses decreased $95,000 from $1,468,000 to $1,373,000. Key expense differences in 2017 include the following:

- Consultant expense decreased $55,000 due to less planning costs associated with the Net Zero Facility.

- Legal expense decreased by $44,000 due to a general decrease in matters requiring attorney assistance.

- Sponsorship expenses decreased $14,000 due to fewer sponsorships of economic development initiatives and conferences than in 2016.

- Other G&A expenses increased $19,000, and include the following more significant fluctuations:
  - Technology expenses increased $12,000 from 2016 to 2017 due to continued replacement of various small equipment (printers, hard drives)
  - Costs associated with rental property increased $6,300 from 2016 to 2017 due to increases in property taxes and snowplowing costs



Depreciation – Depreciation expense for 2017 and 2016 was $140,000.

Net Special Project Grants – Net Special Project Grants decreased from a $1,343,000 net loss in 2016 to a net loss of $6,405,000 in 2017. In 2017, $6,500,000 was granted to ILDC for the acquisition of property and certain other costs related to the Bethlehem Steel project. $601,000 was also spent on certain projects, which will be reimbursed in accordance with applicable grant agreements.

Investment Income – Investment income of $487,000 consists of an unrealized gain on one of ECIDA's venture capital investments. During 2016, an investment was sold, resulting in gains of $7,252,000.

5. Budget Analysis:

ECIDA prepares an annual budget which was presented and approved by the Board of Directors on September 28, 2016. The following table (Table 4) presents an analysis of ECIDA's performance compared to the approved 2017 budget.

Table 4
Budget to Actual Analysis for the year ended December 31, 2017
(Amounts in thousands)

	Actual	Budget	$ Variance	% Variance
Revenue:				
Administrative fees	$ 1,963	$ 1,800	$ 163	9%
Affiliate management fees	391	396	(5)	-1%
Other income	386	304	82	27%
Total revenue	2,740	2,500	240	10%
Expenses:				
Salaries and benefits	1,991	2,134	(143)	-7%
General and administrative	1,373	1,824	(451)	-25%
Depreciation and other	141	141	-	0%
Total expenses	3,505	4,099	(594)	-14%
Operating income before special project grants	(765)	(1,599)	834	-52%
Net special project grants	(6,405)	(8,476)	2,071	-24%
Investment income	487	880	(393)	-45%
Interest income	22	25	(3)	-12%
Change in net position	$ (6,661)	$ (9,170)	$ 2,509	-27%

Budget to Actual Analysis:

Overall, ECIDA exceeded its budgeted decrease in net position for 2017 by $2,509,000. Administrative fees revenue was 9% above the budgeted amount due to a greater number of tax incentive projects and tax-exempt bond issuances approved and closed than anticipated. Total expenses were $594,000 under budget primarily due to lower than budgeted costs associated with the Net Zero Facility. Net special project grants had a positive variance of $2,071,000 as some of the budgeted special projects were not funded in 2017, including $1,000,000 of venture capital activity, and other budgeted projects not moving forward.

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 Controller of ECIDA at (716) 856-6525. General information relating to ECIDA can be found at its website, www.ecidany.com.

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

ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	$ 17,033,702	$ 24,371,944
Receivables		
Current portion of conduit loans	37,530	37,530
Current portion of loans	12,336	11,604
Affiliates	394,579	362,329
Grants	7,291,960	2,000,000
Other	1,531,834	937,217
Prepaid expenses	31,887	49,117
Total current assets	26,333,828	27,769,741
Noncurrent assets:		
Conduit loans receivable	93,824	131,354
Loans receivable, net	3,167	15,740
Capital assets, net	1,560,717	1,664,878
Investments	1,171,227	684,064
Restricted cash	4,655,308	4,834,085
Total noncurrent assets	7,484,243	7,330,121
Total assets	$ 33,818,071	$ 35,099,862
LIABILITIES		
Current liabilities:		
Accounts payable	$ 186,052	$ 338,974
Accrued expenses	161,800	155,263
Current portion of conduit debt	37,530	37,530
Unearned revenue	6,665,778	2,400,000
Total current liabilities	7,051,160	2,931,767
Noncurrent liabilities:		
Conduit debt	93,824	131,354
Funds held on behalf of others	5,015,035	3,718,068
Total noncurrent liabilities	5,108,859	3,849,422
Total liabilities	12,160,019	6,781,189
NET POSITION		
Net investment in capital assets	1,560,717	1,664,878
Restricted	10,980,329	17,255,654
Unrestricted	9,117,006	9,398,141
Total net position	21,658,052	28,318,673
Total liabilities and net position	$ 33,818,071	$ 35,099,862

See accompanying notes.

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

	2017	**2016**
Operating revenues:		
Administrative fees	**$ 1,962,918**	$ 1,528,261
Affiliate management fees	**391,140**	362,136
Rental income	**287,048**	299,019
Loan interest	**6,890**	6,863
Other income	**92,217**	76,019
Total operating revenues	**2,740,213**	2,272,298
Operating expenses:		
Salaries and benefits	**1,991,231**	1,894,761
General and administrative	**1,372,758**	1,468,266
Depreciation	**139,508**	140,345
Other expenses	**1,663**	1,462
Total operating expenses	**3,505,160**	3,504,834
Operating loss before special project grants	**(764,947)**	(1,232,536)
Special project grants:		
Revenues	**1,048,063**	51,284
Expenses	**(7,453,026)**	(1,394,214)
Total special project grants	**(6,404,963)**	(1,342,930)
Operating loss	**(7,169,910)**	(2,575,466)
Non-operating revenues:		
Realized gain on investments	**-**	7,252,089
Unrealized gain on investments	**487,163**	-
Interest income	**22,127**	23,298
Total non-operating revenues	**509,290**	7,275,387
Change in net position	**(6,660,620)**	4,699,921
Net position - beginning of year	**28,318,673**	23,618,752
Net position - end of year	**$ 21,658,052**	$ 28,318,673

See accompanying notes.

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

	2017	2016
Cash flows from operating activities:		
Cash from fees and rental income	$ 1,655,349	$ 2,227,280
Cash from special project grants	1,048,063	51,284
Loans and loan interest collected	18,731	36,995
Cash received from affiliates and other sources	451,107	417,015
Payments to employees, suppliers, and other	(3,494,807)	(3,191,570)
Payments for special project grants	(8,479,208)	(1,409,811)
Net cash used by operating activities	(8,800,765)	(1,868,807)
Cash flows from capital and related financing activities:		
Net purchases of capital assets	(35,347)	(50,236)
Net cash used by capital and related financing activities	(35,347)	(50,236)
Cash flows from investing activities:		
Change in restricted cash, net of funds held on behalf of others	1,475,743	(894,577)
Cash received from equity investments	-	11,316,051
Interest	22,127	23,298
Net cash provided by investing activities	1,497,870	10,444,772
Net increase (decrease) in cash and cash equivalents	(7,338,242)	8,525,729
Cash and cash equivalents - beginning of year	24,371,944	15,846,215
Cash and cash equivalents - end of year	$ 17,033,702	$ 24,371,944
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	(7,169,910)	$ (2,575,466)
Adjustment to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation	139,508	140,345
Gain on disposal of assets	-	(4,000)
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables	(5,906,986)	(21,369)
Prepaid expenses	17,230	(27,029)
Increase (decrease) in:		
Accounts payable	(152,922)	195,936
Accrued expenses	6,537	22,776
Unearned revenue	4,265,778	400,000
Net cash provided (used) by operating activities	$ (8,800,765)	$ (1,868,807)

See accompanying notes.

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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 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 fiscal 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.

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 $483,684 and $157,000, respectively, for the years ended December 31, 2017 and 2016.

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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.

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 fiscal 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. *Net 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.

N. RECLASSIFICATIONS

Certain reclassifications have been made to prior year information in order to conform with current year presentation.

O. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended December 31, 2017, the ECIDA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement No. 68*, *and Amendments to Certain Provisions of GASB Statements No. 67 and 68*; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*; and Statement No. 81, *Split-Interest Agreements*; and Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*.

The primary object of Statement No. 73 is to improve the usefulness of information about pensions included in the financial statements that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions.

The primary objective of Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

The primary objective of Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

The primary objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The ECIDA has evaluated Statements No. 73, 74, 80, 81, and 82 and have determined that they have no impact on the ECIDA's operations.

<u>The GASB has issued the following new pronouncements:</u>

- Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*, which will be effective for the year ending December 31, 2018;
- 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. 85, *Omnibus*, which will be effective for the year ending December 31, 2018;
- Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ending December 31, 2018; and
- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2020.

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

P. 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, 2017 and 2016, the ECIDA aggregate bank deposits were considered fully collateralized.

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 Controller.

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.

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.

	2017	2016
Total loans receivable	**$ 165,503**	$ 677,344
Less: reserve for uncollectible loans	**150,000**	650,000
Loans receivable, net	**15,503**	527,344
Less: current portion	**12,336**	11,604
Loans receivable - long-term	**$ 3,167**	$ 15,740

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:

	2017	2016
Erie County Regional Redevelopment Fund	**$ 1,262,970**	$ 1,087,093
Buffalo Brownfields Redevelopment Fund	**2,247,594**	2,287,283
Regionally Significant Project Funds:		
Buffalo Economic Renaissance Corporation	**23,262**	28,467
Buffalo Urban Development Corporation	**100,530**	106,713
Erie Niagara Regional Partnership	**5,616**	5,616
Seneca Street Corridor	**432,230**	202,896
Main Street Improvement Fund	**942,833**	-
Total	**$ 5,015,035**	$ 3,718,068

Restricted cash also includes $90,273 and $116,017 as of December 31, 2017 and 2016, respectively for the Railway Trust fund, for activities related to two Erie County shortline railroads, and an additional $1,000,000 of sales proceeds held in escrow at December 31, 2017.

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 – GRANT RECEIVABLE

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

	2017	2016
Buffalo Southern Railroad – 2017 PFRAP Rail Improvement	**$ 2,225,213**	$ 2,000,000
Sumitomo Dunlop Rail - PFRAP	**465,950**	-
National Grid – Zero Net Energy Building	**125,000**	-
Bethlehem Rail Phase II	**4,475,797**	-
Total	**$ 7,291,960**	$ 2,000,000

NOTE 5 - CAPITAL ASSETS

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

	Balance 01/1/17	Additions	Deletions	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	4,303,239	35,347	4,826	4,333,760
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	2,805,761	139,508	4,826	2,940,443
Total capital assets being depreciated, net	$ 1,497,478	$ (104,161)	$ -	$ 1,393,317
Total capital assets, net	$ 1,664,878	$ (104,161)	$ -	$ 1,560,717

Capital asset activity for ECIDA for the year ended December 31, 2016 was as follows:

	Balance 01/1/16	Additions	Deletions	Balance 12/31/16
Capital assets not being depreciated:				
Land	$ 167,400	$ -	$ -	$ 167,400
Capital assets being depreciated:				
Land improvements	1,090,798	7,500	-	1,098,298
Buildings	2,734,937	12,552	-	2,747,489
Furniture and equipment	446,716	34,184	23,448	457,452
Total capital assets being depreciated	4,272,451	54,236	23,448	4,303,239
Less accumulated depreciation:				
Land improvements	553,517	53,719	-	607,236
Buildings	1,810,205	36,043	-	1,846,248
Furniture and equipment	325,142	50,583	23,448	352,277
Total accumulated depreciation	2,688,864	140,345	23,448	2,805,761
Total capital assets being depreciated, net	$ 1,583,587	$ (86,109)	$ -	$ 1,497,478
Total capital assets, net	$ 1,750,987	$ (86,109)	$ -	$ 1,664,878

NOTE 6 - INVESTMENTS

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

	2017		2016	
	Cost	Fair value	Cost	Fair value
Common stock	50,002	537,166	-	-
Equity interest	987,187	634,061	1,037,189	684,064
	$ 1,037,189	$ 1,171,227	1,037,189	$ 684,064

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, 2017 and 2016.

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 Department of Transportation (DOT) grant in the amount of $2,250,000 in 2016. As of December 31, 2017, $1,932,751 is included as unearned revenue as the grant funding is reimbursable for costs incurred by ECIDA, and $317,249 had been expended.

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, 2017, $455,743 is included as unearned revenue as the grant funding is reimbursable for costs incurred by ECIDA, and $10,207 had been expended.

ECIDA received a grant in the amount of $4,530,000 from Erie County ($4,200,000) and New York State DOT Multi-Modal Funds ($330,000) in 2017. As of December 31, 2017, $4,145,484 is included as unearned revenue as the grant funding is reimbursable for costs incurred by ECIDA, and $384,516 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, 2017, 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 $6,800 from grants received in prior years.

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 $391,140 and $362,136 in affiliate management fees for the years ended December 31, 2017 and 2016. Management fees and related receivables by affiliate are as follows:

	Management Fees		Receivables	
	2017	2016	**2017**	2016
RDC	**$ 368,627**	$ 361,171	**$ 371,970**	$ 361,290
ILDC	**22,513**	965	**22,609**	1,039
Total	**$ 391,140**	$ 362,136	**$ 394,579**	$ 362,629

ECIDA also provides personnel to perform administrative and accounting functions on behalf of Buffalo Urban Development Corporation, which amounted to $67,258 and $40,257 for the years ended December 31, 2017 and 2016.

NOTE 9 – OPERATING LEASES

Office rent expense for the years ended December 31, 2017 and 2016 amounted to $145,008 and $147,310, respectively.

Future minimum rental payments, including flat annual utility charges, are $109,753 for 2018.

ECIDA recognized $203,535 of rental income on its former office for the years ended December 31, 2017 and 2016. The net book value of the leased property is approximately $1,256,000 at December 31, 2017.

Future annual rental income anticipated under this noncancelable lease is:

2018	$ 204,039
2019	209,869
2020	209,869
2021	209,869
2022	122,423
	$ 956,069

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 2017 and 2016, ECIDA made discretionary contributions of 12% of eligible employees' salaries. ECIDA's expense for contribution to the plan for the years ended December 31, 2017 and 2016 amounted to $170,164 and $158,538, 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 13, 2018 which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY
COMBINING STATEMENTS OF NET POSITION
DECEMBER 31, 2017

	General Account	UDAG Account	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 8,112,406	$ 8,921,296	**$ 17,033,702**
Receivables			
Current portion of conduit loans	37,530	-	**37,530**
Current portion of loans	-	12,336	**12,336**
Affiliates	394,579	-	**394,579**
Grant	7,291,960	-	**7,291,960**
Other	1,531,834	-	**1,531,834**
Prepaid expenses	31,887	-	**31,887**
Total current assets	17,400,196	8,933,632	**26,333,828**
Noncurrent assets:			
Conduit loans receivable	93,824	-	**93,824**
Loans receivable, net	-	3,167	**3,167**
Capital assets, net	1,560,717	-	**1,560,717**
Investments	124,389	1,046,838	**1,171,227**
Restricted cash	3,655,308	1,000,000	**4,655,308**
Total noncurrent assets	5,434,238	2,050,005	**7,484,243**
Total assets	$ 22,834,434	$ 10,983,637	**$ 33,818,071**
LIABILITIES			
Current liabilities:			
Accounts payable	$ 182,744	$ 3,308	**$ 186,052**
Accrued expenses	161,800	-	**161,800**
Current portion of conduit debt	37,530	-	**37,530**
Unearned revenue	6,665,778	-	**6,665,778**
Total liabilities	7,047,852	3,308	**7,051,160**
Noncurrent liabilities:			
Conduit debt	93,824	-	**93,824**
Funds held on behalf of others	5,015,035	-	**5,015,035**
Total noncurrent liabilities	5,108,859	-	**5,108,859**
NET POSITION			
Net investment in capital assets	1,560,717	-	**1,560,717**
Restricted	-	10,980,329	**10,980,329**
Unrestricted	9,117,006	-	**9,117,006**
Total net position	10,677,723	10,980,329	**21,658,052**
Total liabilities and net position	$ 22,834,434	$ 10,983,637	**$ 33,818,071**

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Account	UDAG Account	Total
Operating revenues:			
Administrative fees	$ 1,962,918	$ -	$ **1,962,918**
Affiliate management fees	391,140	-	**391,140**
Rental income	287,048	-	**287,048**
Loan interest	-	6,890	**6,890**
Other income	92,217	-	**92,217**
Total operating revenue	2,733,323	6,890	**2,740,213**
Operating expenses:			
Salaries and benefits	1,991,231	-	**1,991,231**
General and administrative	1,284,950	87,808	**1,372,758**
Depreciation	139,508	-	**139,508**
Other expenses	1,663	-	**1,663**
Total operating expenses	3,417,352	87,808	**3,505,160**
Operating loss before special project grants	(684,029)	(80,918)	**(764,947)**
Special project grants:			
Revenues	1,048,063	-	**1,048,063**
Expenses	(758,484)	(6,694,542)	**(7,453,026)**
Total special project grants	289,579	(6,694,542)	**(6,404,963)**
Operating loss	(394,450)	(6,775,460)	**(7,169,910)**
Nonoperating revenues:			
Investment income	-	487,163	**487,163**
Interest income	9,155	12,972	**22,127**
Total nonoperating revenues	9,155	500,135	**509,290**
Change in net position	(385,295)	(6,275,325)	**(6,660,620)**
Net position - beginning of year	11,063,019	17,255,654	**28,318,673**
Net position - end of year	$ 10,677,723	$ 10,980,329	$ **21,658,052**

INTERNAL CONTROL AND COMPLIANCE

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FreedMaxick CPAs, P.C.

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, 2017, and the related notes to the financial statements, which collectively comprise ECIDA's financial statements, and have issued our report thereon dated March 13, 2018.

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 13, 2018

FreedMaxick CPAs, P.C.

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 Country 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, 2017 through December 31, 2017. 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, 2017 through December 31, 2017.

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 13, 2018