AUDITED
FINANCIAL STATEMENTS

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

DECEMBER 31, 2017

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

CONTENTS

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FreedMaxick CPAs, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Buffalo and Erie County Industrial
Land Development Corporation
Buffalo, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Buffalo and Erie County Industrial Land Development Corporation (the ILDC), a business-type activity and component unit of the County of Erie, New York, 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 ILDC, 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 ILDC 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

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

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 ILDC'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 the effectiveness of the ILDC'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 ILDC's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 13, 2018

FreedMaxick CPAs, P.C.

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)
STATEMENTS OF NET POSITION
DECEMBER 31,

		2017		2016
ASSETS				
Current assets:				
Cash	**$**	**245,815**	$	215,046
Grant receivable		**362,500**		-
Loans receivable, short-term		**6,831**		5,121
Total current assets		**615,146**		220,167
Noncurrent assets:				
Loans receivable, net		**19,272**		12,490
Land held for sale		**6,530,672**		-
Total noncurrent assets		**6,549,944**		12,490
Total assets	**$**	**7,165,090**	$	232,657
LIABILITIES				
Accounts payable	**$**	**17,075**	$	3,891
Due to affiliate		**22,609**		1,039
Unearned revenue		**392,500**		-
Total liabilities		**432,184**		4,930
NET POSITION				
Restricted		**207,974**		209,763
Unrestricted		**6,524,932**		17,964
Total net position		**6,732,906**		227,727
Total liabilities and net position	**$**	**7,165,090**	$	232,657

See accompanying notes.

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,

	2017	2016
Operating revenues:		
Administrative fees	$ 483,684	$ 444,678
Interest from loans	612	228
Total operating revenues	484,296	444,906
Operating expenses:		
Transfer to Erie County Industrial Development Agency	506,197	157,246
Transfer to Buffalo and Erie County Regional Development Corporation	-	287,432
General and administrative	20,271	33,192
Provision for uncollectible loans (recoveries)	(2,201)	(2,681)
Total operating expenses	524,267	475,189
Operating loss	(39,971)	(30,283)
Nonoperating revenue:		
Grant income	6,519,542	-
Total nonoperating revenue	6,519,542	-
Change in net position	6,479,571	(30,283)
Net position - beginning of year, previously stated	227,727	258,010
Restatement of net position - see note 5	25,608	-
Net position - beginning of year, as restated	253,335	258,010
Net position - end of year	$ 6,732,906	$ 227,727

See accompanying notes.

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

		2017		2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Administrative and application fees	**$**	**483,684**	$	444,678
Transfer to Erie County Industrial Development Agency		**(506,197)**		(157,246)
Transfer to Buffalo and Erie County Regional Development Agency		**-**		(287,432)
Principal and interest on loans		**8,807**		5,951
Bad debt recoveries		**2,201**		1,322
Loans awarded		**(16,687)**		(14,881)
Payments to vendors and affiliates		**(7,087)**		(56,154)
Net cash used by operating activities		**(35,279)**		(63,762)
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES				
Grant income		**6,549,542**		-
Acquisition of land held for sale		**(6,483,494)**		-
Net cash provided by capital and financing activities		**66,048**		-
Net increase (decrease) in cash		**30,769**		(63,762)
Cash - beginning of year		**215,046**		278,808
Cash - end of year	**$**	**245,815**	$	215,046
Reconciliation of loss from operations to net cash used in operating activities:				
Operating loss	**$**	**(39,971)**	$	(30,283)
Adjustment to reconcile operating loss to net cash used by operating activities:				
Provision for uncollectible loans		**-**		(1,359)
Change in assets and liabilities:				
(Increase) decrease in:				
Loans receivable		**(8,492)**		(9,158)
Increase (decrease) in:				
Accounts payable		**13,184**		3,862
Due to affiliate		**-**		(26,824)
Net cash used by operating activities	**$**	**(35,279)**	$	(63,762)

See accompanying notes.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Buffalo and Erie County Industrial Land Development Corporation (the ILDC) have been prepared in conformity with accounting principles generally accepted 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 the ILDC's accounting policies are described below.

A. REPORTING ENTITY

Buffalo and Erie County Industrial Land Development Corporation (ILDC) was incorporated for the purpose of participating in the acquisition and development of industrial sites and to provide financial assistance for the acquisition or renovation of fixed assets by industrial companies locating or expanding in the County of Erie, New York (the County). ILDC manages a number of revolving loan programs each of which is dedicated to improving economic conditions in part or all of the County.

ILDC has related party relationships with Erie County Industrial Development Agency (ECIDA) and Buffalo and Erie County Regional Development Corporation (RDC). All three entities are managed by the same personnel. These entities share the same mission, which is to provide resources that encourage investment, innovation, growth, and global competitiveness, thereby creating a successful business climate that benefits the residents of the region.

In accordance with accounting standards, ILDC is considered a component unit of the County. The County, acting by and through the County Executive, is the sole member of ILDC and is financially accountable for it; as a result, the ILDC is included in the financial statements of the County as a discretely presented component unit.

B. BASIS OF PRESENTATION

Revenues from administrative fees and interest on loans are reported as operating revenues. All expenses related to the ILDC are reported as operating expenses. Capital grants are reported as non-operating income.

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The ILDC reports as a special-purpose government engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The financial statements of the ILDC 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 liabilities are incurred, regardless of when the related cash transaction takes place.

Nonexchange transactions, in which the ILDC 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. INCOME TAXES

The ILDC is exempt from federal income tax under Internal Revenue Code Section 501(C)(3) and the income realized will not be subject to New York state corporate franchise tax. The ILDC does not believe that it has any uncertain tax positions, and has not recorded any unrecognized tax benefits or liability or penalties or interest.

E. LOANS RECEIVABLE

Loans receivable are presented net of an allowance for uncollectible accounts. The ILDC 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.

F. TAX EXEMPT BOND TRANSACTIONS

ILDC is an issuer of tax-exempt bond financing for not-for-profit entities. These bonds are obligations of the borrower. Since ILDC has no obligation to repay the principal and interest of such bonds, they are not reflected as liabilities in the accompanying financial statements. ILDC receives bond issuance fees from the borrower for providing this service. ILDC also has a shared services agreement with ECIDA under which administrative and staffing services are provided to ILDC in connection with bond issuances in exchange for the related bond issuance fees received by ILDC. Bond issuance fees are recognized immediately upon issuance of the related bond. The original value of tax-exempt bonds issued by ILDC aggregated approximately $56,895,000 as of December 31, 2017 ($44,300,000 – 2016).

G. NET POSITION

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

a. Restricted - Consists of net positions with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restrictions include amounts maintained in the Erie County Business Development Fund (Erie County BDF).

b. Unrestricted - All other net positions that do not meet the definition of "restricted".

H. STATEMENTS OF CASH FLOWS

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

I. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This affects the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

J. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended December 31, 2017, the ILDC 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, No. 68 and No. 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 ILDC has evaluated Statements No. 73, 74, 80, 81, and 82 and have determined that they have no impact on the ILDC's operations.

The GASB has issued the following new pronouncements:

- 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 ILDC is currently reviewing these statements and plans on adoption, as required.

NOTE 2. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. ASSETS

1. CASH AND INVESTMENTS

The ILDC's investment policies are governed by State statutes. In addition, the ILDC has its own written investment policy. ILDC monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The ILDC's Controller is authorized to use interest bearing demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of the State of New York 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 ILDC's aggregate bank deposits were considered fully collateralized.

Investment and Deposit Policy
The ILDC 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 the Controller of the Erie County Industrial Land Development Corporation.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The ILDC'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

The ILDC'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 the ILDC's investment and deposit policy, all deposits of the ILDC including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The ILDC 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 New York State and its localities.

2. LOANS RECEIVABLE

The revolving loan program was originally funded through a Community Development Block Grant (CDBG). Loans receivable are maintained in the Erie County Business Development Fund (BDF) are restricted pursuant to the original grant terms.

Loans are made to local business from the Erie County BDF to complement private financing at an interest rate of 2% with varying repayment terms. All loans are classified as commercial loans. The following is a summary of the loans receivable:

	2017	**2016**
Total loans receivable	**26,103**	17,611
Less: allowance for uncollectible loans	**-**	-
Loans receivable, net	**26,103**	17,611
Less: current maturities	**6,831**	5,121
Loans receivable - long-term	**$ 19,272**	$ 12,490

The ILDC's policy is to present loans receivable net of an allowance for uncollectible loans. There was no allowance for uncollectible loans in 2017 or 2016.

At December 31, 2017, the loan portfolio consisted of 1 loan that bears interest at rate of 2% and matures July 28, 2021.

Scheduled maturities of principal for these loans for the next five years and thereafter are as follows:

Fiscal Year	**Principal**	**Interest**
2018	$ 6,831	$ 443
2019	6,925	304
2020	7,067	162
2021	5,280	28
	$ 26,103	$ 937

NOTE 3. GRANTS AND LAND HELD FOR SALE

In February 2017 the ILDC entered into a funding agreement with the ECIDA to accept $6,700,000 in the form of a partially refundable grant from ECIDA's U.S. Department of Housing and Urban Development Urban Development Action Grant (UDAG) reflow fund in connection with a Brownfield reclamation and redevelopment project at the former Bethlehem Steel site in Lackawanna, New York. $5,700,000 of the grant was earmarked for the purchase of real property, with the remaining $1,000,000 to be used for carrying costs during and after property acquisition. Additional funding of up to $700,000 for property acquisition was granted from ECIDA's UDAG reflow fund in September 2017. As of December 31, 2017, $6,338,416 of the $6,400,000 total granted for the purchase of real property and $163,000 of the $1,000,000 granted for carrying costs was utilized.

In connection with the land purchase, ILDC authorized the execution of a $2,780,000 grant from Empire State Development Corporation (ESDC). Proceeds from this grant will be used to reimburse ECIDA. ILDC also resolved to remit to ECIDA 50% of the net proceeds received upon the future sale of portions of the Bethlehem Steel site acquired using ECIDA grant funds, in an amount not to exceed $6,700,000. As of December 31, 2017, no reimbursements have been made to ECIDA.

Land held for sale are recorded is net realizable value based on assessment of the fair value of each project. The net realizable value as of December 31, 2017 amounted to $6,530,672.

NOTE 4. RELATED PARTY TRANSACTIONS

ECIDA allocates a portion of its personnel and overhead costs to ILDC which amounted to $22,513 as of December 31, 2017 ($965 – 2016). The amount outstanding to ECIDA at December 31, 2017 related to these costs amounted to $22,513 ($965 – 2016). ILDC owed ECIDA for reimbursable costs of $96 as of December 31, 2017 ($74 – 2016).

ILDC has a shared services agreement with ECIDA under which administrative and staffing services are provided to ILDC in connection with bond issuances in exchange for the administrative fees received by ILDC related to these bond transactions. ILDC transferred $483,684 in administrative fees to ECIDA in 2017 ($157,246 – 2016).

In addition, ILDC, ECIDA, and RDC agreed to an alternative agreement in one specific instance. The RDC loan fund required $287,432 in local match funds due to an amended agreement with Federal agencies. ECIDA agreed to forego this amount and allow ILDC to provide $287,432 to RDC from administrative fees during the year ended December 31, 2016.

NOTE 5. RESTATEMENT OF NET POSITION

Legal expenses in the amount of $25,608 related to the Bethlehem Steel land purchase incurred in 2016 were capitalized as part of the land cost in 2017 which resulted in a restatement of net position.

NOTE 6. SUSEQUENT EVENT

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.

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SUPPLEMENTARY INFORMATION

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BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)
COMBINING STATEMENTS OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating	Erie County BDF Program	Total
ASSETS			
Current assets:			
Cash	$ 61,636	$ 184,179	$ **245,815**
Grant receivable	362,500	-	**362,500**
Loans receivable, short-term	-	6,831	**6,831**
Total current assets	424,136	191,010	**615,146**
Noncurrent assets:			
Loans receivable, net	-	19,272	**19,272**
Land held for sale	6,530,672	-	**6,530,672**
Total assets	6,954,808	210,282	**7,165,090**
	$ 7,378,944	$ 401,292	$ **7,780,236**
LIABILITIES			
Accounts payable	$ 17,048	$ 27	$ **17,075**
Due to affiliate	20,328	2,281	**22,609**
Unearned revenue	392,500	-	**392,500**
Total liabilities	429,876	2,308	**432,184**
NET POSITION			
Restricted	-	207,974	**207,974**
Unrestricted	6,524,932	-	**6,524,932**
Total net position	6,524,932	207,974	**6,732,906**
Total liabilities and net position	$ 6,954,808	$ 210,282	**$ 7,165,090**

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating	Erie County BDF Program	Total
Operating revenues:			
Administrative fees	$ 483,684	$ -	**$ 483,684**
Interest from loans	-	612	**612**
Total operating revenues	483,684	612	**484,296**
Operating expenses:			
Transfer to ECIDA	503,916	2,281	**506,197**
General and administrative	17,948	2,323	**20,271**
Provision for uncollectible loans (recoveries)	-	(2,201)	**(2,201)**
Total operating expenses	521,864	2,403	**524,267**
Operating loss	(38,180)	(1,791)	**(39,971)**
Non-operating revenue (expenses):			
Grant income	6,519,542	-	**6,519,542**
Total non-operating revenue (expenses)	6,519,542	-	**6,519,542**
Change in net position	6,481,362	(1,791)	**6,479,571**
Net position - beginning of year, previously stated	17,962	209,765	**227,727**
Restatement of net position - see note 5	25,608	-	**25,608**
Net position - beginning of year, as restated	43,570	209,765	**253,335**
Net position - end of year	$ 6,524,932	$ 207,974	**$ 6,732,906**

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

We have audited, 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, the financial statements of the Buffalo and Erie County Industrial Land Development Corporation (the ILDC), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the ILDC'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 the ILDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ILDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the ILDC's internal control.

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

Our consideration of 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 the ILDC's financial statements are free of 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 the ILDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity'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
Buffalo and Erie County Industrial Land Development Corporation
95 Perry Street, Suite 403
Buffalo, New York 14203

We have examined the Buffalo and Erie County Industrial Land Development Corporation (the ILDC) 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 ILDC is responsible for the ILDC's compliance with the specified requirements. Our responsibility is to express an opinion on the ILDC'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 ILDC complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the ILDC 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 ILDC's compliance with specified requirements.

In our opinion, the ILDC complied, in all material respects, with the Investment Guidelines during 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 ILDC 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