

**NIAGARA COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

# NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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**December 31, 2010**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Niagara County Industrial Development Agency

We have audited the accompanying financial statements of Niagara County Industrial Development Agency (the Agency) and its discretely presented component unit as of and for the year ended December 31, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial positions of the Agency and its discretely presented component unit as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the Agency adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, in 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2011, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis preceding the financial statements 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Jimmie # McCormick, LLP

March 11, 2011

**NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**AND ITS COMPONENT UNIT**  
**NIAGARA COUNTY DEVELOPMENT CORPORATION**

**2010 Management's Discussion and Analysis  
(UNAUDITED)**

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**NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY (“NCIDA”)  
AND ITS COMPONENT UNIT  
NIAGARA COUNTY DEVELOPMENT CORPORATION (“NCDC”)**

**I. HISTORY OF AGENCY & COMPONENT UNIT**

The Niagara County Industrial Development Agency (“The Agency/NCIDA”) is a not-for-profit public benefit corporation established in 1972 by the County Legislature. Under the provisions of the New York Industrial Development Agency Act, the NCIDA is empowered to actively attract and develop economically sound commerce and industry, thereby fostering job opportunities, general prosperity, and economic welfare for all residents of Niagara County.

At the time of its creation, the primary economic development tool of the Agency was the Industrial Revenue Bond. In 1985, the first grant was obtained from the U.S. Department of Housing and Urban Development (HUD) to establish a Revolving Loan Fund. The Loan Fund grew as additional grants from the U.S. Economic Development Administration and other sources helped to further capitalize it in ensuing years.

In 1995, Niagara County received a grant from HUD to establish the Niagara County Microenterprise Assistance Program. This program added a new dimension to the Agency’s ability to assist “Micro” businesses with five (5) employees or less, especially those wishing to establish a new business. As Grant Administrator, the NCIDA is now able to assist not only the traditional business engaged in manufacturing and processing, but also those retail, service and agri-business companies that are in need of entrepreneurial training and small business loans.

The NCIDA utilizes its resources to plan, implement and support economic development within Niagara County by promoting the stability and growth of the County’s present business base, supporting the retention and creation of jobs, establishing regional and international collaborations and attracting capital investment and new business ventures.

The Niagara County Development Corporation (“NCDC”) was organized March 27, 1984 under Section 402 of the Not-for-Profit Corporation Law of the State of New York as a local development corporation to promote economic growth and business prosperity in the County of Niagara, New York. The NCDC’s function is to make loans at favorable interest rates to businesses that are located in Niagara County, thus encouraging startup of new businesses and relocation and expansion of existing businesses within the County.

The Corporation had not engaged in financial activities from the date of its incorporation, March 27, 1984, until November 21, 1991, when certain assets were transferred to the Corporation by the NCIDA. In accordance with the Governmental Accounting Standards Board (“GASB”) Statement No. 14, as amended by GASB Statement No. 39, the NCDC is considered a component unit of the NCIDA. In addition, the NCDC is considered as part of the NCIDA for the Single Audit Act Amendments of 1996. The NCDC also has separate audited financial statements for the year ended December 31, 2010 that express an unqualified opinion.

The NCDC received an exemption from income tax from the U.S. Department of the Treasury, Internal Revenue Service, under the provisions of IRC Section 501(c) (4), Social Welfare Organizations.

Attached, as Exhibit I, is a chart of the Agency’s corporate structure.

## NCIDA AND ITS COMPONENT UNIT NCDC

As management of the NCIDA and its component unit, the NCDC, we offer the readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the year ending December 31, 2010. We encourage readers to consider the information presented here in conjunction with the Agency's audited financial statements.

In October of 2003, the Agency merged, on an operational basis, not fiscal, with the Niagara County Economic Development Department in an effort to create a more effective "one stop shop" for economic development in the County. The Niagara County Economic Development Department and the NCIDA named its combined entity the Niagara County Center for Economic Development.

Attached is Exhibit V, an Organizational Chart for the Niagara County Center for Economic Development.

### Overview of the Financial Statements

The financial statements in this annual report are those of a special-purpose government and its component unit. The following statements are included:

- Balance Sheet - reports the Agency's current and long term financial resources with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses and Changes in Net Assets - reports the Agency's operating and non-operating revenues, by major source along with operating and non-operating expenses.
- Statement of Cash Flows - reports the Agency's cash flows from operating, investing, and financing activities.

## II. UNAUDITED COMPARATIVE ANALYSIS OF HISTORICAL FINANCIAL STATEMENTS

Attached, as Exhibit II, is an unaudited, condensed, comparative financial statement analysis for the NCIDA, exclusive of the component unit analysis, based on the audited financial statements for year ended 2007. The years ended 2008, 2009 and 2010 are combined statements *inclusive* of the Agency's component unit the NCDC.

For the purpose of statement analysis, there has been a reclassification of certain balance sheet and income statement items from the audit report for the analysis periods.

Due to changes in Governmental Accounting Standards, it has been necessary to reclassify certain Balance Sheet and Income Statement balances in order to comply with Governmental Accounting Standards Board Statement 34 for the 2008 Audit Report; which included the removal of the "Eliminations" column and the "Investment" fund. Please see the notes to the financial statements for additional detail.

As detailed in Exhibit II, year end 2007 **Cash - Restricted**, on the Balance Sheet increased due to the receipt of the Tribal Compact or Casino Funds, which directly increased the Total Assets; as well as inflating Net Worth due to the classification of said Casino Funds.

## NCIDA AND ITS COMPONENT UNIT NCDC

The 2008 Combining Statements reported increased Current Assets with NCDC Cash and Loan Receivables; however Total Assets were decreased by the disbursement of the Casino Compact Revenue to the NFTA for the Niagara Falls International Airport Terminal Project in the amount of \$4,000,000.

2008 Liabilities and Net Worth were also noticeably affected by not only the payment of the Casino revenue but also the premature repayment of the county's loans from the Revolving Loan Fund in the amount of \$2,000,000.

The 2009 Profit & Loss Statement reported a 41% decrease in Operating Revenues and Administration Fees as compared to a 37% increase from the prior period. The \$717,000 decrease in Operating Revenues was a direct result of the "Great Recession" causing delays in project origination and closings due to the economic climate of uncertainty and constricted capital and equity markets traditionally used for project funding.

During 2010, the Agency adopted Government Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments (GASB 53)*. GASB 53 addresses information disclosure regarding derivative instruments used in reducing exposures to financial risks. The changes in fair market values of hedging derivatives are reported as either *deferred inflow or outflows* in the statement of net assets. Please see note 2 to the financial statements for further detail.

Comparatively over the last three reporting periods there have been two periods of positive gross cash flow as well as operating cash flow. Operating cash flow is calculated by adjusting for depreciation and amortization, which do not result in outflows of cash. Positive gross cash flows of \$281,000 and \$141,000 were reported in 2008 and 2010, respectively; as well as a negative gross cash flow of \$219,000 in 2009, as reported on the Cash Flow Statement in Exhibit II.

As a result of the cyclical nature of the Agency's revenue producing activities, the Agency has established "reserve funds" from prior fiscal periods' excess operating revenue for the purpose of funding or offsetting operating losses, such as the losses incurred in 2009.

**The Agency's annual revenue sources *do not* rely on funding from any local, county, or state taxing jurisdictions. The Agency is a self-sustaining entity.**

### **III. A REVIEW OF IRB PROJECTS AND LOAN PORTFOLIO TRANSACTIONS**

Starting in 2003, the formation of the Niagara County Center for Economic Development (NCCED) resulted in a "one stop shop" for economic development activities through the merging of services between the NCIDA and the Niagara County Economic Development Department at the offices located in the Vantage Center Multi-Tenant Facility in Vantage Point Park.

This streamlined organization has been geared to meet the needs of the business interests in Niagara County through programs designed to cut through the red tape, speed the processes, and let everyone know that this organization exists for one simple purpose – helping businesses become more successful in Niagara County.

## NCIDA AND ITS COMPONENT UNIT NCDC

Since 2004, each year, we have conducted several business workshops in the towns, villages and cities of Niagara County. Staff of the Center for Economic Development, Niagara County Community College Small Business Development Center, Niagara County Department of Employment and Training, and Empire State Development outline the incentives available to help Niagara businesses grow and strengthen their bottom line. In 2010, these workshops were held in the Towns of Newfane, Royalton, Sanborn and Lewiston.

The U.S. Small Business Administration joined the list of presenters at this year's workshops to provide information on economic development stimulus programs available through the federal government. The Agency also co-sponsored and hosted a seminar with the U.S. Department of Commerce relating to exporting. The seminar was well attended by companies from Niagara County and the Western New York area.

The Niagara County Center for Economic Development administers the Niagara County Business Growth & Retention Program. The program's goal is to meet with companies annually to provide information on potential company assistance. The ultimate goal is to retain jobs while promoting local expansion and job creation. During 2010, the retention team conducted 47 meetings with conference calls to 40 different companies.

In addition, the Agency's Industrial Revenue Bond ("IRB") Program closed eleven (11) projects from 2010 inclusive of other projects outstanding from prior periods representing \$39,398,000 in new capital investments in Niagara County as compared to nine (9) projects in the prior period representing \$62,655,000 in capital investments. There are fourteen (14) projects outstanding from 2010 and prior periods representing an additional \$465,098,500 in total project costs, inclusive of one large project for over \$400,000,000. There has been an increase in projects as a result of the domestic and global economic recovery. Please see Exhibit III for detail of the 2010 projects.

The Niagara County Development Corporation ("NCDC") has six (6) Revolving Loan Funds ("RLFs") and administers the Niagara Economic Development Fund ("NEDF") loan portfolio, which is a business trust with the Agency as Trustee. Thereby, the NEDF is separate from the NCIDA and its component unit the NCDC with an independent board, and is subject to an independent audit.

Separate revolving loan fund accounts were established to segregate the initial funding source. Five (5) of the accounts were established through federal grants from the Economic Development Administration and the Department of Housing and Urban Development.

The sixth (6<sup>th</sup>) account was established in 1987 by a loan from the County of Niagara to promote economic development and create jobs. In 2008, the loan was paid back to the county in full five (5) years early.

The Niagara Economic Development Fund ("NEDF") was organized in July 1990 under Sections 1001 and 1005 of the Power Authority Act as a local development loan program in order to improve the area's economic climate.

The NEDF is organized as a business trust with an independent Board of Directors whose membership consists of representatives of the Empire State Development Corporation ("ESDC"), the Power Authority of the State of New York ("NYPA"), the City of Niagara Falls, and the NCIDA.

## NCIDA AND ITS COMPONENT UNIT NCDC

Pursuant to an agreement dated May 22, 2000 between the NCIDA and the NEDF Board, the NCIDA assumed administrative duties of the Fund from the New York State Job Development Authority (“NYJDA”), effective July 1, 2000.

Pursuant to an agreement dated May 22, 2000 between the NCIDA and the NEDF, the NYJDA transferred its net assets to the NEDF’s Revolving Loan Fund.

For 2010, the NCDC’s **revolving loan and grant processing activities**, exclusive of the NEDF with two grant disbursements, totaled six (6) loans in the amount of \$766,000 down from seven (7) in 2009, and a decrease in loan activity from \$796,000 in 2009. The two (2) NEDF Grants were in the amount of \$300,000, for total activity of \$1,066,000. The average loan amount processed was \$109,500, down from \$114,000 in 2009 a result of the economic recovery from the “great recession” and the global economic downturn.

The NCDC and NEDF aggregate cash balances total approximately \$7,541,000 with aggregated outstanding loan balances of \$4,081,000 (net of allowance for bad debt) representing 76 credit facilities (loans). The aggregate total net assets of the loan portfolio are \$11,622,000. Presently, there are approximately \$2,070,000 of outstanding loan and grant commitments. The number of loans (credit facilities) are up slightly by 5 facilities, the net assets have had slight decline of \$102,000 due to charge offs. Loan demand in 2010 has seen an increase over that of 2009 as evidenced by the outstanding commitments, however remains restricted due to the present slow economic recovery that has resulted in a credit environment that has constricted capital and equity markets.

Industrial Revenue Bonds and Notes issued by the Agency are secured by property that is leased to companies and is retired by lease payments. The Bonds and Notes are not obligations of the Agency or the State. The Agency does not record the assets or liabilities resulting from completed Bond and Note issues in its accounts since its primary function is to arrange financing between the borrowing companies and the Bond and Note holders. Funds arising from there are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of Bonds and Notes.

Exhibit III, attached, provides supplemental detail to the aforementioned activities.

### **IV. BUDGETARY ANALYSIS – NCIDA OPERATING FUND**

Historically annual budgets are based on prior years’ average operating revenues plus management’s best estimate of actual revenues. Likewise, operating expenses are also based on historical prior years’ expenses with a best estimate of future increases due to market conditions and/or inflation. Therefore, budgeted income/expense will vary from the actual annual income statement.

For 2010 the NCIDA Operating Budget Variance Report had an operating revenues overage of \$129,299 or 19% over the budgeted operating revenue total of \$691,308. This was due to a \$97,292 overage in the IRB Fees and a \$24,514 overage in Revenue Distribution from Niagara Industrial Suites. On the operating expense side the variance was 7%, inclusive of a \$29,405 decrease in benefits, offset by a \$58,390 increase in salaries and retirement benefits due to the cost of employee buy-out under the New York State early retirement incentive program.

## **NCIDA AND ITS COMPONENT UNIT NCDC**

There was also a project backlog from 2010 of 13 projects, representing over \$465,000,000 million in capital projects with anticipated revenues of approximately \$1,031,000, which did not close due to the economy and a timing difference in permanent project financing and closing. Fortunately the Agency had reserved capital from prior period earnings from which to fund the actual budgetary net loss of \$69,372.

For budget computation purposes, depreciation expense was not included because it does not result in an outflow of cash.

The attached Budget Variance Report (Exhibit IV) as of December 31, 2010 reports an acceptable overall 10% variance evidencing a reasonable budget that provides integrity in the numbers, as well as prudent fiscal responsibility relative to the computation of the annual budget.

### **V. CAPITAL ASSETS AND LONG-TERM DEBT**

#### **MULTI-TENANT FACILITIES**

From 1992 through 1994, the Agency constructed a multi-tenant facility in the Foreign Trade Zone in the Town of Wheatfield near the airport. Funding for the construction of the facility consisted of the following:

Federal Assistance Award, U.S. Department of Commerce	\$1,100,000
NYS Job Development Authority Realty Loan	\$ 700,000
Niagara Economic Development Fund Loan	\$ 250,000
Niagara County Industrial Development Agency Cash Contribution	<u>\$ 150,000</u>
	<b><u>\$2,200,000</u></b>

In December 1997, the Agency received loans of \$700,000 and \$250,000 from the NYJDA and the Niagara Economic Development Fund, a related party as explained in Note 10 to the financial statements. The land, buildings, and improvements of the Multi-Tenant Facility located at 2055 Niagara Falls Boulevard, Town of Wheatfield, New York secure the loans. The mortgage notes payable are fifteen (15) year notes. The interest rate on the \$700,000 note is 9.4%. The rate of interest on the \$250,000 note is 5.5%.

During 2000 - 2001, the NCIDA constructed a second (2<sup>nd</sup>) Multi-Tenant/Incubator Facility in Vantage International Pointe in the Town of Wheatfield. Funding for the construction of the Facility consisted of the following:

Federal Assistance Award, U.S. Department of Commerce	\$1,000,000
NYS Job Development Authority Realty Loan	\$ 950,000
Commercial Loan	\$ 950,000
Niagara County Industrial Development Agency Cash Contribution	\$ 500,000
Federal Assistance Award, U.S. Department of Housing & Urban Development through Niagara County	\$ 400,000
Other Internal Resources	\$ 235,060
Niagara County, In-Kind Land Contribution	<u>\$ 109,688</u>
	<b><u>\$4,144,748</u></b>

## **NCIDA AND ITS COMPONENT UNIT NCDC**

The building was placed in service as of December 31, 2001, although certain areas were temporarily occupied previous to that date. Please see the footnotes to the financial statements for further detail.

### **LOAN PAYABLE, NIAGARA COUNTY DEVELOPMENT CORPORATION**

During 1993, the NCDC loaned the NCIDA \$165,000 to complete construction of the NCIDA's office space within the Multi-Tenant Facility.

In 1996, the NCDC loaned the NCIDA \$145,000 for capital requirements of the Multi-Tenant Facility. Interest on this loan is calculated at the investment return experienced by the IDA Revolving Loan Fund. During prior years, accrued interest was added to the loan balance, but remained unpaid.

Also in 1996, the NCDC loaned the NCIDA \$6,900 to be used to fund a storage room for the Resource Center.

On December 31, 2001, the NCIDA and NCDC formalized the borrowing arrangement through a fifteen (15) year Promissory Note. The Promissory Note bears an interest rate of 5%, with principal and interest payments of \$2,533 monthly. At the end of fifteen (15) years, a balloon payment of \$95,821 is due and payable, or a mutually acceptable renewal option may be negotiated ninety (90) days prior to the final payment.

During 2003, the NCIDA borrowed \$150,000 from the NCDC to complete a build-out in the Vantage Center for a tenant-occupied space. The loan was to be interest free during the construction period. At the end of the construction period, the note bears an interest rate of 5% and is to be repaid in forty (40) quarterly payments. The NCIDA also borrowed \$20,000 from the NCDC to finance facility infrastructure needs at the Vantage Center. The Promissory Note has a five (5) year term and carries a 5% annual interest rate.

### **VANTAGE CENTER MULTI-TENANT FACILITY TAX EXEMPT IRB**

On November 2, 2000, the NCIDA issued State and Federal Income Tax Exempt Industrial Revenue Bonds in the principal amount of \$2,300,000, which were purchased by Bank of America f/k/a Fleet Bank. The purpose of the bond issue was to finance the construction of a 50,000 square foot multi-tenant manufacturing and technology center in the Vantage International Pointe.

Bank of America issued a construction loan in the amount of \$2,300,000 as interim financing until the project was completed. This loan was bifurcated into two construction loans. One, in the amount of \$1,350,000, had a term of twelve (12) months, with monthly interest-only payments. The second (2<sup>nd</sup>), in the amount of \$950,000, has a term of twenty-one (21) years, with monthly interest-only payments for the first twelve (12) months followed by monthly principal and interest payments based on a twenty (20) year schedule.

The loan has a permanent interest rate equal to the one-month LIBOR rate plus 135 basis points, hedged with a fixed-rate swap converted to the holder's tax-exempt rate.

## NCIDA AND ITS COMPONENT UNIT NCDC

Security for the loan includes a co-equal first mortgage with the United States Department of Commerce Economic Development Agency on the land and building located at Vantage International Pointe, including a co-equal first lien on all fixtures, equipment, and furnishings acquired by the NCIDA and used in construction, operations, or maintenance of the property, a co-equal first conditional assignment of rights under all leases and occupancy agreements and a co-equal first assignment of all licenses, permits, approvals, or contracts related to the development of the project.

### MORTGAGE

During 2003, the temporary construction loan was replaced by a mortgage with the New York State Job Development Authority in the amount of \$950,000. The loan has a twenty (20) year term with a fixed interest rate of 8.18% per annum. The Note is secured by any and all buildings, structures, and improvements at 6311 Inducon Corporate Drive. This Note is subordinate to the lien to Bank of America in an amount not in excess of \$950,000.

### VI. FUTURE EVENTS AND OTHER CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The Agency's real estate development objective for 2011 is the sale of the remaining 50 acres in Vantage International Pointe Park. The Agency is aggressively marketing the remaining 50 acres through a realtor and as part of the Canadian Marketing Program (See Exhibit VI).

In addition to promoting properties owned/controlled by the Agency, industrial park sites in the Cities of Lockport, Niagara Falls, and North Tonawanda, as well as the Town of Niagara and Town of Lockport Industrial Parks, and many other sites throughout Niagara County will be advertised and marketed by the NCIDA.

These activities are intended to stimulate new construction, increase the local tax base, create employment opportunities for area residents, and generate new project fees to the Agency.

For the past several years, the Niagara County Center for Economic Development has been building a marketing and development campaign with particular emphasis on attracting Canadian companies to establish branch operations in Niagara County. The main focus for 2011 will to continue with the Canadian networking effort to generate leads for qualification.

As a follow up to 2010 advertising efforts, staff wish to participate in a Canadian advertising opportunity by placing an ad in an insert called *The Business Guide*. Last year, this publication was distributed with 300,000 copies of *The Globe and Mail* on May 27, 2010.

In 2011, 200,000 copies of *The Business Guide* will be inserted in the business section of *The Toronto Star*. *The Toronto Star* reaches over 1.4 million readers weekly. There will also be a bonus distribution of 100,000 copies through enterprise agencies across Ontario, for a total distribution of 300,000.

## **NCIDA AND ITS COMPONENT UNIT NCDC**

Similar to 2010, *The Business Guide* will be an 84 page full color magazine that will be targeted at business owners and board level directors. This insertion will consist of a full-page, full-color advertisement and a one page article on Niagara County and the Niagara County Industrial Development Agency.

The Agency's message will be that Niagara County is an attractive business location that is just across the border.

Target industries included computer and electronic products manufacturing; electrical equipment, appliances and component manufacturing; food and beverage manufacturing and processing; warehouse/distribution; and logistics and defense related industries. These sectors were chosen to complement and not duplicate the efforts of the Buffalo Niagara Enterprise, whose main Canadian target sectors include life sciences, medical devices and pharmaceuticals.

On or about February 4, 2009, the NYS Division of Budget (DOB) sent letters to all IDAs assessing IDAs with their share of the new tax levy that was added in the State's 2009-2010 Budget. This tax was added without the benefit of hearings or debate and first became known weeks after the 2009-2010 State Budget was signed on April 7, 2009; as well as basing the tax computation on annual gross revenues, inclusive of State and Federal "pass through" grants, which are not realized revenues.

The DOB's method of computation of the IDA tax is based on 4.5% of total gross revenues as reported under Public Authorities Reporting Information System (PARIS) to the Authorities Budget Office (ABO) by the respective IDAs; the DOB's 2010 tax assessment is \$47,037. To assess a tax on IDAs based on gross revenues, not adjusted for State and Federal "pass through" grant economic development project funding is arbitrary; but in all events applying a tax to the upstate delivery entities for economic development is ill conceived in this economy.

The New York State Economic Development Council and its member organizations banded together to fight the IDA tax through the formation of an Economic Development Fund that successfully overturned the IDA tax last year (2010) with litigation and overturned and retroactively repealed the IDA tax this year (2011) with a legislative initiative which is part of the Economic Development and Transportation Budget Bill for the 2011-2012 budget, which was passed on March 31, 2011.

Sincerely,

**NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

Samuel M. Ferraro, Executive Director/Treasurer

Henry M. Sloma, Chairperson

# NCIDA and NCDC Corporate Structure

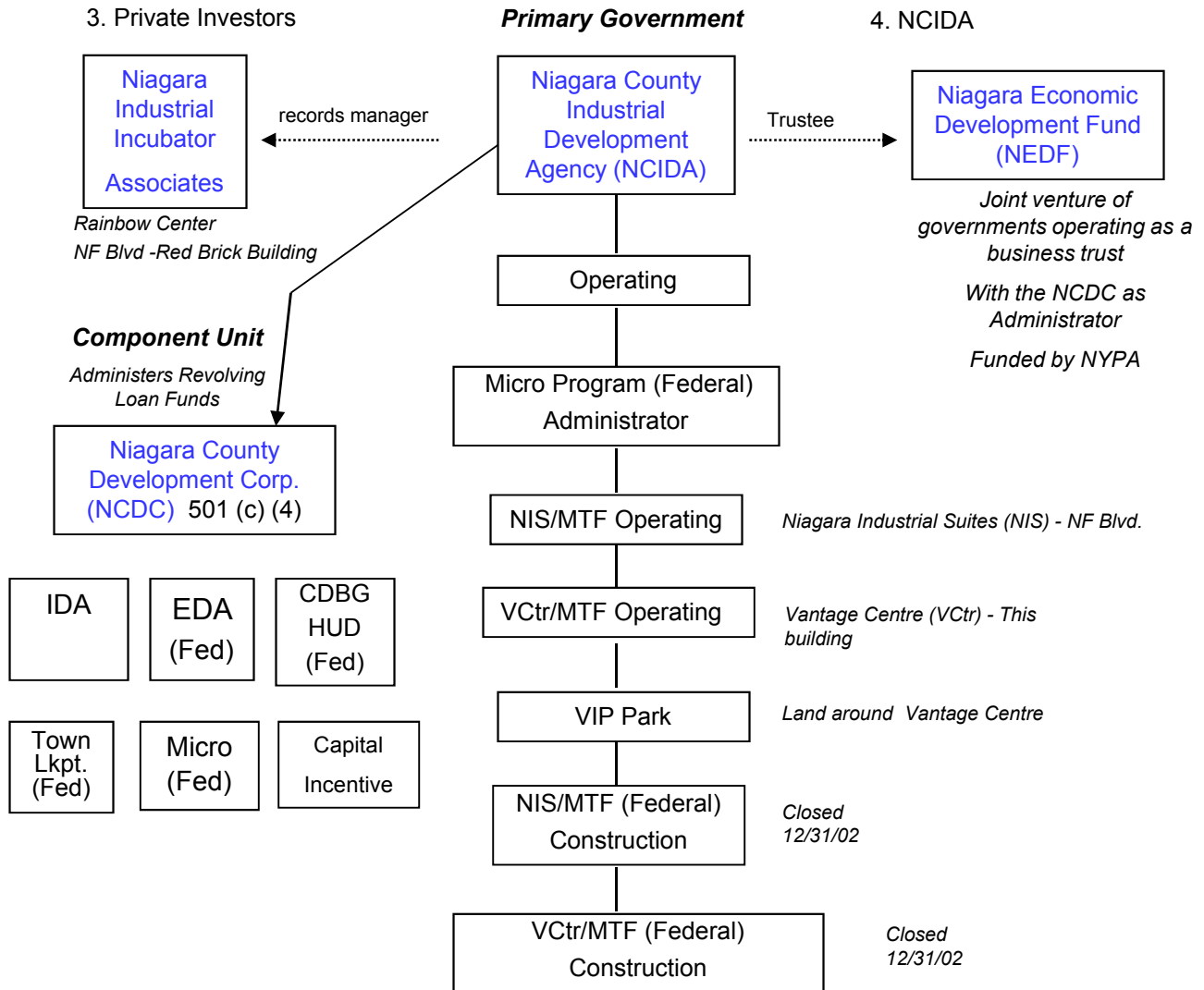
## EXHIBIT I

### **Limited Partnership**

1. NFTA
2. NCIDA
3. Private Investors

### **Joint Venture**

1. NY Power Authority (NYPA)
2. City of Niagara Falls
3. Empire State Dev. Corp.
4. NCIDA



**Management's Discussion & Analysis Letter**

**December 31, 2010**

**EXHIBIT II**  
**NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**and its Component Unit the Niagara County Development Corporation**  
**HISTORICAL FINANCIAL STATEMENT ANALYSIS (Unaudited)**

**I. BALANCE SHEET**

Compiled/Reviewed/Audited Period Ending	Audited	Audited	Audited	Audited	Statement
	12/31/07	12/31/08	12/31/09	12/31/10	Notes
<b>ASSETS</b>	000's	000's	000's	000's	S
1 Cash - Unrestricted	\$ 1,667	\$ 5,424	\$ 5,138	\$ 4,918	E
2 Accounts Receivable	29	49	34	79	E
3					
4 Prepaid Expenses	50	50	52	49	F
5 Loans Receivable	124	386	299	302	O
6 State & Federal Aid receivable	133	-	-	-	O
7 Cash - Restricted	2,176	145	156	167	T
8 <b>CURRENT ASSETS</b>	\$ 4,179	\$ 6,054	\$ 5,679	\$ 5,515	N
9 Net Fixed Assets - Property & Equipment	5,608	5,457	5,244	5,103	O
10 Long Term Receivables	-	-	-	-	T
11 Investments - Affiliate Organizations	7,156	30	30	30	E
12 Intangibles-Deferred Loan costs	49	45	41	37	S
13 Non-Current Loans Receivable	-	1,002	1,020	1,192	
14					T
15 <b>TOTAL ASSETS</b>	\$16,992	\$12,588	\$12,014	\$11,877	O

**LIABILITIES & NET WORTH**

16 Note Payable - Bank Line	\$ -	\$ -	\$ -	\$ -	A
17 Note Payable - Bank (Bldg Loan)	-	-	-	-	U
18 Accounts Payable & Other Governments	284	121	170	171	D
19 Accrued Expenses	-	-	-	-	I
20 Other Payables-Grant & Due Other Gov'ts	-	40	222	99	T
21 Current Portion - LTD Due Others	142	132	145	155	
22 Loan Payable - NEDF	28	20	21	22	R
23 Security Deposits Payable	22	22	23	24	E
24 Deferred Revenue	170	182	145	161	P
25 <b>CURRENT LIABILITIES</b>	\$ 646	\$ 517	\$ 726	\$ 632	O
26 Long Term Debt-Due Others	3,927	1,706	1,561	1,406	R
27 Subordinated Debt	-	-	-	-	T
28 Loans Payable -NEDF	343	69	48	26	
29 Deferred Outflow on Interest Rate Swap			139	151	A
30 <b>TOTAL LIABILITIES</b>	\$ 4,916	\$ 2,292	\$ 2,474	\$ 2,215	T
31 Invested Capital Assets (Net of Debt)	3,217	3,616	3,501	3,466	T
32 Retained Earnings Reserved	-	-	-	-	A
33 Unrestricted Funds	1,826	6,680	6,039	6,196	C
34 Restricted Funds	7,033	-	-	-	H
35 <b>TOTAL NET Assets (deficit)</b>	\$ 12,076	\$ 10,296	\$ 9,540	\$ 9,662	E
36 <b>TOTAL LIABILITIES &amp; NET ASSETS</b>	\$ 16,992	\$ 12,588	\$ 12,014	\$ 11,877	D
37 Contingent Liabilities	-	-	-	-	
38 Yes-Changed Accountants.	YES	N/C	N/C	N/C	

**EXHIBIT II**  
**NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**and its Component Unit the Niagara County Development Corporation**  
**HISTORICAL FINANCIAL STATEMENT ANALYSIS (Unaudited)**

**II. PROFIT & LOSS STATEMENT**

# of months	12	%	12	%	12	%	12	%
Period Ending (000's)	12/31/07		12/31/08		12/31/09		12/31/10	
39 Operating Revenues+Admin. Fees	\$ 1,284		\$ 1,755		\$ 1,038		\$ 1,528	
40 COGS	-	0%	-	0%	-	0%	-	0%
41 Gross Profit	\$ 1,284	100%	\$ 1,755	100%	\$ 1,038	100%	\$ 1,528	100%
42 Contract+Prov. Uncoll.+Prog. Related Exp.	272	21%	519	30%	290	28%	362	24%
43 Profit Before Operating Expense	\$ 1,012	79%	\$ 1,236	70%	\$ 748	72%	\$ 1,166	76%
44 Employee Salary & Benefits	505	39%	574	33%	593	57%	658	43%
45 Depr. & Amort. Exp.	223	17%	218	12%	217	21%	218	14%
46 Interest Expense	175	14%	146	8%	140	13%	129	8%
47 Rent (Common Area)	85	7%	235	13%	234	23%	238	16%
48 Operating Profit / (Loss)	24	2%	63	4%	(436)	-42%	(77)	-5%
49 Non-Operating Revenue	\$ 1,315		\$ 2,885		\$ 140		\$ 104	
50 Non-Operating Expenses	766		4,538		357		(152)	
51 Net Income / (Loss)	\$ 573	22%	\$ (1,590)	-34%	\$ (653)	-55%	\$ 179	11%

**III. OPERATING CYCLE (n/a for public benefit corporations due to no COGS)**

52 Days Receivable	8	10	12	19
53 Days Inventory				
54 Days Payable				
55 Days Accrual				
56 Operating Cycle				

**IV. RATIO ANALYSIS**

57 Sales Growth Ratio		37%	-41%	47%
58 Working Capital	\$ 3,533	\$ 5,537	\$ 4,953	\$ 4,883
59 Current Ratio	6.47	11.71	7.82	8.73
60 Quick Ratio	2.63	10.59	7.12	7.91
61 Debt/Equity Ratio	0.41	0.22	0.26	0.23

**V. CAPITAL EXPENDITURES**

62 Ending Net Fixed Assets		\$ 5,457	\$ 5,244	\$ 5,103
63 Depreciation		\$ 218	\$ 217	\$ 218
64 Beginning Net Fixed Assets		\$ 5,608	\$ 5,457	\$ 5,244
65 Net Capital Expenditures		\$ 67	\$ 4	\$ 77

**VI. RECONCILIATION OF NET WORTH**

66 Ending Net Worth		\$10,296	\$ 9,540	\$ 9,662
67 Operating Profit / (Loss)		\$ 63	\$ (436)	\$ (77)
68 Beginning Net Worth		\$12,076	\$ 10,296	\$ 9,540
69 New Equity (Distributions)		\$ (1,843)	\$ (320)	\$ 199

**EXHIBIT II**  
**NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**and its Component Unit the Niagara County Development Corporation**  
**HISTORICAL FINANCIAL STATEMENT ANALYSIS (Unaudited)**

**VII. CASH FLOW STATEMENT (000's)**

							12/31/08	12/31/09	12/31/10	
							70 Operating Profit / (Loss)	\$ 63	\$ (436)	\$ (77)
							71 Depr. & Amort	\$ 218	\$ 217	\$ 218
							71 Gross Funds Flow	\$ 281	\$ (219)	\$ 141
<b>OPERATING USES</b>	12/31/08	12/31/09	12/31/10	<b>OPERATING SOURCES</b>	12/31/08	12/31/09	12/31/10			
73a Incr. Receivables	\$ 20	\$ -	\$ 45	73b Decr. Receivables	\$ -	\$ 15	\$ -			
74a Incr. Inventory	\$ -	\$ -	\$ -	74b Decr. Inventory	\$ -	\$ -	\$ -			
75a Decr. Payables	\$ 163	\$ -	\$ -	75b Incr. Payable	\$ -	\$ 49	\$ 1			
76a Decr. Accruals	\$ -	\$ -	\$ -	76b Incr. Accruals	\$ -	\$ -	\$ -			
77a Operating Uses	\$ 183	\$ -	\$ 45	77b Operating Sources	\$ -	\$ 64	\$ 1			
							77a Oper. Uses	\$ 183	\$ -	\$ 45
							77b Oper. Sources	\$ -	\$ 64	\$ 1
							78 Oper. Cash Flow	\$ 98	\$ (155)	\$ 97
<b>NON-OPER. USES</b>				<b>NON-OPER. SOURCES</b>						
79a Make Capital Exp	\$ 67	\$ 4	\$ 77	79b Sell Fixed Assets	\$ -	\$ -	\$ -			
80a Buy Other Assets	\$ -	\$ 14	\$ 168	80b Sell Other Assets	\$ 6,128	\$ -	\$ -			
81a Incr. Other C/A	\$ -	\$ -	\$ 11	81b Decr. Other C/A	\$ 1,902	\$ 74	\$ -			
82a Repay N/P Bank	\$ -	\$ -	\$ -	82b Borrow N/P Bank	\$ -	\$ -	\$ -			
83a Repay N/P Other	\$ -	\$ -	\$ -	83b Borrow N/P Other	\$ -	\$ -	\$ -			
84a Repay LTD	\$ 2,231	\$ 132	\$ 145	84b Borrow LTD	\$ -	\$ -	\$ -			
85a Repay Sub. Off D	\$ -	\$ -	\$ -	85b Incr. Sub. Off. Debt	\$ -	\$ -	\$ -			
86a Distrib. to Owner	\$ 1,843	\$ 320	\$ -	86b Invest New Equity	\$ -	\$ -	\$ 199			
87a Incr. Notes/Rec	\$ -	\$ -	\$ -	87b Decr. Notes/Rec.	\$ -	\$ -	\$ -			
88a Decr. Taxes/Pay	\$ -	\$ -	\$ 123	88b Incr. Taxes/Payable	\$ 40	\$ 182	\$ -			
89a Decr. Other Liab.	\$ 270	\$ -	\$ -	89b Incr. Other Liab.	\$ -	\$ 83	\$ 8			
90a Non-Oper. Uses	\$ 4,411	\$ 470	\$ 524	90b Non-Oper. Sources	\$ 8,070	\$ 339	\$ 207			
							90a Non-Oper. Uses	\$ 4,411	\$ 470	\$ 524
							90b Non-Oper. Sources	\$ 8,070	\$ 339	\$ 207
							<b>91 NET CASH FLOW</b>	<b>\$ 3,757</b>	<b>\$ (286)</b>	<b>\$ (220)</b>

**EXHIBIT III**  
**Niagara County Industrial Development Agency**  
**and its Component Unit Niagara County Development Corporation**

**2010 Industrial Revenue Bond and Leaseback Projects**

Company	Project Description	Location	Amount of NCIDA Project	Number of Jobs	
				Retained	Created*
Metaullics Systems	Construction of new manufacturing building	Wheatfield	\$7,200,000	54	11
Center Court (Norstar)	Construction of low income housing	Niagara Falls	18,000,000	2	4
TAM Ceramics	Acquisition and renovation of manufacturing facility	Town of Niagara	2,000,000	50	25
Hillman Automotive	Construction of fleet and vehicle maintenance facility	Lockport	1,294,000	10	25
210 Walnut Street (Harrison Square)	Renovations to Harrison Square multitenant facility	Lockport	1,900,000	44	45
Dimax (Mac's Auto Parts)	Addition to warehouse/light industrial facility	Pendleton	2,007,000	88	8
Courtlyn, LLC	Acquisition and renovation of facility for dental practice	Wheatfield	769,000	0	12
Precious Plate	Acquisition and expansion of manufacturing facility	Wheatfield	1,390,000	115	25
Impressive Construction	Construction of commercial building	North Tonawanda	560,000	14	3
CO8 Holdings	Construction of medical facility	Wheatfield	1,165,000	0	20
CI6 Holdings, LLC	Construction of new manufacturing facility	Wheatfield	1,000,000	45	25
<b>TOTALS: 9 Projects</b>			<b>\$37,285,000</b>	<b>422</b>	<b>203</b>

**2010 Microenterprise Assistance Program Loans**

Company/Proprietor	Type of Business	Amount of Loan	# of Jobs	
			Retained	Created*
<b>Krow's Nest</b>	<b>City of Niagara Falls Arcade</b>	<b>\$25,000</b>	<b>5</b>	<b>6</b>
<b>Purpose Built Engineering</b>	<b>Village of Barker Design &amp; Manufacturer</b>	<b>\$25,000</b>	<b>1</b>	<b>1</b>

**2010 Revolving Loan Fund Projects**

Company	Location / Type of Business	Amount of Loan	# of Jobs at Facility	
			Retained	Created*
TAM Ceramics	Town of Niagara Manufacturer	\$400,000	50	25
Hoot Mechanical & Electrical	City of Lockport Mechanical & Electrical Services & Contracting	\$91,000	12	6

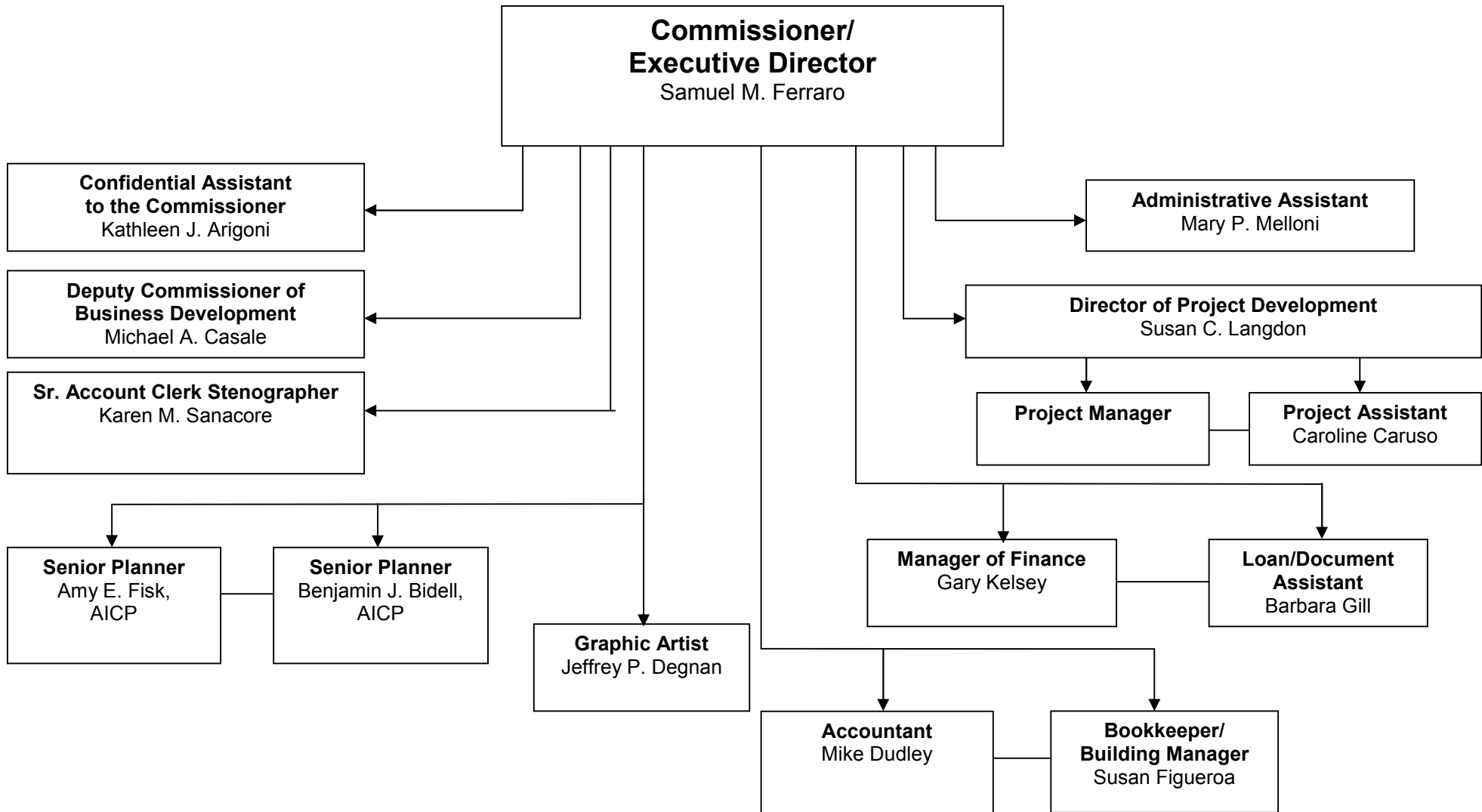
\*Projected within three years

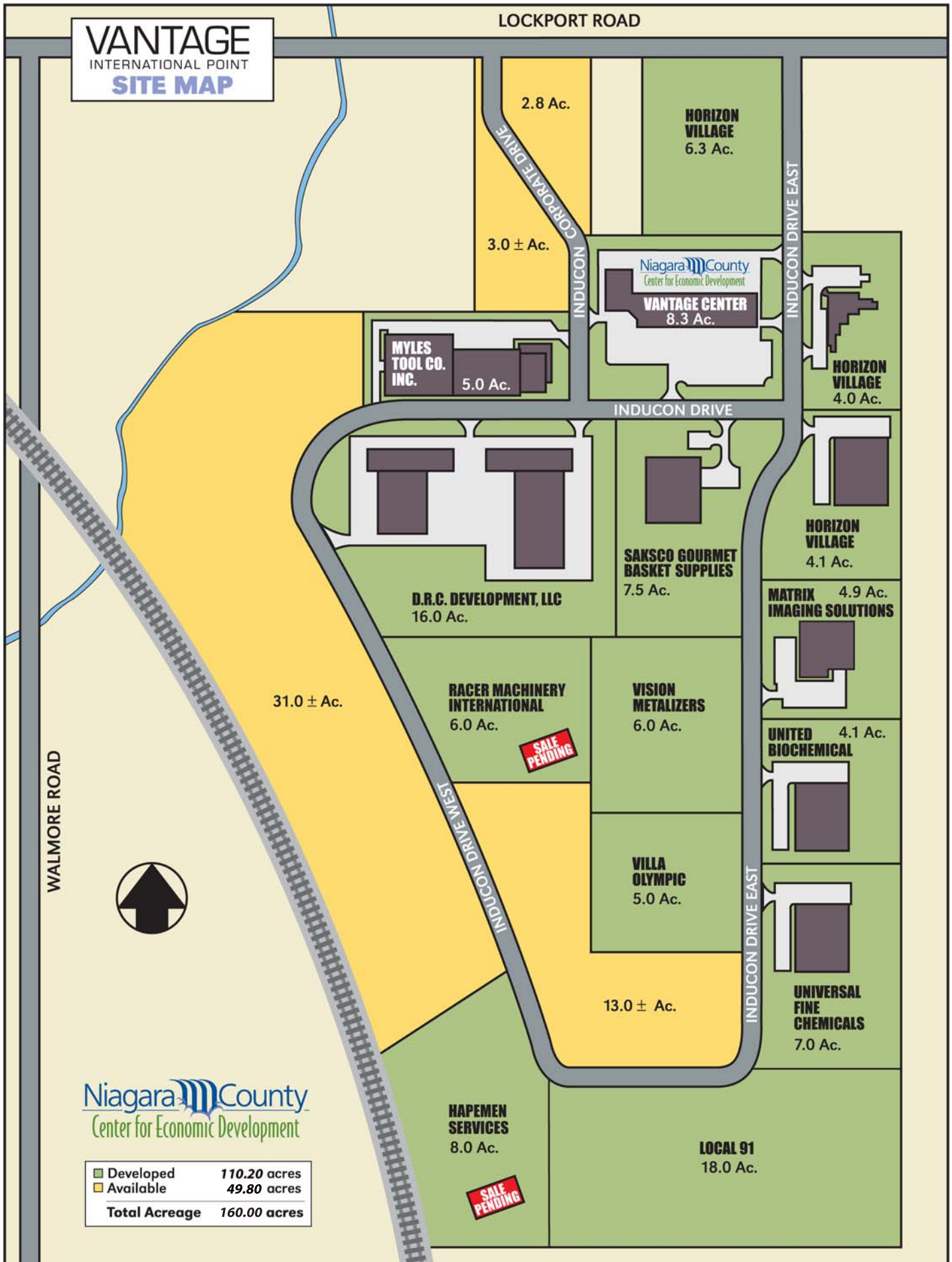
**EXHIBIT IV**  
**NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**BUDGET VARIANCE REPORT AS OF December 31, 2010**

	Year To Date <u>Actual</u>	Year To Date <u>Budget</u>	Year To Date <u>Variance</u>
<b><u>Operating Revenues</u></b>			
Fees Earned - IRB's	\$ 553,342.00	\$ 456,050.00	\$ 97,292.00
Application Proc. Fees - IRB's	19,000.00	12,000.00	7,000.00
NCDC RLF Administrative Fees	39,600.00	39,600.00	0.00
NEDF RLF Administrative Fee	50,000.00	50,000.00	0.00
Microenterprise Admin Fees	11,500.00	11,500.00	0.00
Administrative Fees - Other	20,234.48	16,771.00	3,463.48
Interest Earnings	4,077.04	12,000.00	(7,922.96)
Miscellaneous Income	32,339.26	27,387.00	4,952.26
Distrib From Niag. Ind. Suites	57,014.00	32,500.00	24,514.00
Distributions From Affiliates	33,500.00	33,500.00	0.00
	<u>820,606.78</u>	<u>691,308.00</u>	<u>129,298.78</u>
Total Operating Revenues			
<b><u>Operating Expenses</u></b>			
Salaries	366,551.10	347,282.00	19,269.10
Benefits	97,443.20	126,848.00	(29,404.80)
Retirement Benefits	99,678.00	60,557.00	39,121.00
Payroll Taxes	28,132.45	26,567.00	1,565.45
Unemployment Taxes	1,224.00	1,369.00	(145.00)
Consultants	2,935.17	0.00	2,935.17
Executive Director	65,081.62	65,081.00	0.62
Legal Services	56,773.38	35,000.00	21,773.38
Accounting Services	13,471.00	15,000.00	(1,529.00)
Marketing	180.00	2,500.00	(2,320.00)
Printing	1,958.84	1,000.00	958.84
Office Supplies	3,543.58	5,500.00	(1,956.42)
Postage	3,860.23	4,662.00	(801.77)
Telephone & Fax	1,349.30	1,656.00	(306.70)
Internet Service	7,477.97	5,556.00	1,921.97
Office Rent	79,344.00	79,344.00	0.00
Common Area Charges	9,258.84	8,982.00	276.84
Energy	19,882.43	26,249.00	(6,366.57)
Conference & Travel	1,783.78	2,500.00	(716.22)
Insurance Expense	18,465.15	20,169.00	(1,703.85)
Library & Membership	1,490.60	1,469.00	21.60
General Office	8,938.91	12,532.00	(3,593.09)
Repairs & Maintenance	10,885.74	12,339.00	(1,453.26)
Computer Support	7,035.61	5,000.00	2,035.61
Public Hearings	687.12	200.00	487.12
Furniture & Equipment Purchase	1,597.26	0.00	1,597.26
Other Expense	0.00	1,000.00	(1,000.00)
Bad Debts	488.78	0.00	488.78
	<u>909,518.06</u>	<u>868,362.00</u>	<u>41,156.06</u>
Total Operating Expenses			
Net Operating Income/<Loss>	<u>(88,911.28)</u>	<u>(177,054.00)</u>	<u>88,142.72</u>
<b><u>Non-Operating Revenue &amp; Expense</u></b>			
Grant - Business Dev. Program	51,978.34	15,000.00	36,978.34
Business Development Program	(51,189.03)	(15,000.00)	(36,189.03)
	<u>789.31</u>	<u>0.00</u>	<u>789.31</u>
Net Non-Operating Income/<Loss>			
Total Net Income/<Loss>	<u>(\$ 88,121.97)</u>	<u>(\$ 177,054.00)</u>	<u>\$ 88,932.03</u>

# Exhibit V

## Niagara County Center for Economic Development 2010 Organizational Chart





NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Balance Sheet

December 31, 2010

	Primary Government Business-Type Activity	Component Unit Niagara County Development Corporation (Not-for-Profit)	Total
<b>Assets</b>			
<b>Current assets:</b>			
Cash			
Unrestricted	\$ 1,301,121	\$ 3,616,832	\$ 4,917,953
Restricted	167,254	-	167,254
Accounts receivable			
Trade	27,293	-	27,293
From affiliates	51,189	-	51,189
Internal balances	52,225	(52,225)	-
Prepaid expenses	49,037	-	49,037
Loans receivable	-	302,350	302,350
	<u>1,648,119</u>	<u>3,866,957</u>	<u>5,515,076</u>
<b>Non-current portion of loans receivable:</b>			
Due from third parties	-	2,305,549	2,305,549
Allowance for uncollectible loans	-	(1,113,503)	(1,113,503)
	<u>-</u>	<u>1,192,046</u>	<u>1,192,046</u>
Property and equipment, net	5,103,010	-	5,103,010
Deferred financing costs, net	37,209	-	37,209
Investment in affiliate	30,000	-	30,000
	<u>5,170,219</u>	<u>-</u>	<u>5,170,219</u>
	<u>\$ 6,818,338</u>	<u>\$ 5,059,003</u>	<u>\$ 11,877,341</u>
<b>Liabilities and Net Assets</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 123,697	\$ 47,721	\$ 171,418
Due to other governments	98,951	-	98,951
Current portion of long-term obligations			
Due others	154,825	-	154,825
Due affiliates	22,427	-	22,427
Internal balances	34,418	(34,418)	-
Deferred revenue	161,171	-	161,171
Security deposits	23,992	-	23,992
	<u>619,481</u>	<u>13,303</u>	<u>632,784</u>
Long-term obligations			
Due others	1,405,912	-	1,405,912
Due affiliates	25,668	-	25,668
Internal balances	242,617	(242,617)	-
Deferred outflow on interest rate swap	151,168	-	151,168
	<u>1,825,365</u>	<u>(242,617)</u>	<u>1,582,748</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	3,466,276	-	3,466,276
Unrestricted	907,216	5,288,317	6,195,533
	<u>4,373,492</u>	<u>5,288,317</u>	<u>9,661,809</u>
	<u>\$ 6,818,338</u>	<u>\$ 5,059,003</u>	<u>\$ 11,877,341</u>

See accompanying notes.

**NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**Statement of Revenues, Expenses, and Changes in Net Assets**

For the year ended December 31, 2010

	Primary Government Business-Type Activity	Component Unit Niagara County Development Corporation (Not-for-Profit)	Total
<b>Operating revenues:</b>			
Fees	\$ 572,342	\$ 6,000	\$ 578,342
Program income	-	78,107	78,107
Grants from federal, state and local governments	-	88,000	88,000
Rental income and common area charges	626,296	-	626,296
Administrative fees from affiliates	121,335	-	121,335
Miscellaneous	32,851	3,202	36,053
Total operating revenues	1,352,824	175,309	1,528,133
<b>Operating expenses:</b>			
Personnel services	431,633	-	431,633
Contractual expenses	200,661	61,440	262,101
Occupancy	238,447	-	238,447
Program and related expenses	-	59,348	59,348
Employee benefits	226,478	-	226,478
Interest expense	143,823	(14,824)	128,999
Provision for uncollectible loans	-	40,382	40,382
Depreciation and amortization	218,283	-	218,283
Total operating expenses	1,459,325	146,346	1,605,671
Operating gain (loss)	(106,501)	28,963	(77,538)
<b>Nonoperating revenues (expenses):</b>			
Grants from state and local governments	51,978	-	51,978
Interest income	4,771	14,191	18,962
Income from investment in affiliated organization	33,500	-	33,500
Loss on sale of assets	(560)	-	(560)
New York State administrative fee reversal	164,500	-	164,500
Change in fair value of interest rate swap	(12,070)	-	(12,070)
Total nonoperating revenues	242,119	14,191	256,310
Net gain	135,618	43,154	178,772
Transfer to Niagara Frontier Transportation Authority	(57,014)	-	(57,014)
Net assets - beginning (as restated - Note 2)	4,294,888	5,245,163	9,540,051
<b>Net assets - ending</b>	<b>\$ 4,373,492</b>	<b>\$ 5,288,317</b>	<b>\$ 9,661,809</b>

See accompanying notes.

**NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

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**Statement of Cash Flows**

**For the year ended December 31, 2010**

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**Operating activities:**

Cash received from loan and administrative fees	\$ 693,101
Cash received from rental income and common area charges	652,981
Cash received from other sources	32,851
Payments to employees, suppliers, and other	(1,067,851)
Payments for interest	(143,823)
<b>Net operating activities</b>	<u>167,259</u>

**Noncapital financing activities:**

Operating grants received	<u>21,506</u>
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**Capital and related financing activities:**

Purchases of equipment	(73,664)
Loan payments to third parties	(144,863)
<b>Net capital and related financing activities</b>	<u>(218,527)</u>

**Investing activities:**

Cash received from investment in affiliate	33,500
Cash payments made for revolving loans	(54,702)
Cash payments to Niagara Frontier Transportation Authority	(57,380)
Interest income	4,771
<b>Net investing activities</b>	<u>(73,811)</u>

**Net change in cash** (103,573)

Cash - beginning 1,571,948

Cash - ending \$ 1,468,375

**Reconciliation of operating loss to net cash flows**

**from operating activities:**

Operating loss \$ (106,501)

**Adjustments to reconcile operating loss to net cash flows**

**from operating activities:**

Depreciation and amortization	218,283
Changes in other current assets and liabilities	
Accounts receivable and other assets	11,948
Accounts payable and other liabilities	43,529

**Net operating activities** \$ 167,259

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# NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies:

#### Nature of Organization:

Niagara County Industrial Development Agency (the Agency) is a nonprofit, public benefit corporation authorized under the laws of the State of New York (the State). The Agency was formed under the State Industrial Development Agency Act, constituting Title I of Article 18-A of the General Municipal Law; Chapter 24 of the Consolidated Laws of New York, as amended; and Chapter 569 of the 1962 Laws of New York (collectively, the "Act"). Its purpose is to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, importing, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial and research facilities and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State, particularly Niagara County (the County), and to improve their prosperity and standard of living. The Agency is governed by a Board of Directors appointed by the County Legislature.

The Agency is empowered to issue industrial revenue bonds for the purpose of constructing, acquiring, equipping and furnishing industrial manufacturing, warehousing and certain commercial research and recreational facilities. To accomplish the purposes of the Act, the Agency may acquire property and enter into lease agreements, mortgage agreements, and pledge agreements.

#### Basis of Presentation:

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency applies all GASB pronouncements as well as applicable accounting and financial reporting guidance previously residing only in Financial Accounting Standards Board (FASB) and AICPA pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

#### Grants:

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Typically, grants received are passed through to other entities less an administrative fee charged by the Agency if permissible.

#### Financial Reporting Entity:

In evaluating how to define the Agency for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Agency's reporting entity is based on several criteria set forth in GASB Statement 14 (as amended by GASB Statement 39) including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following entity is included in the Agency's basic financial statements:

#### Niagara County Development Corporation

(NCDC) is a not-for-profit corporation formed to promote economic growth and prosperity in the County. Its function is to make loans at favorable interest rates to small businesses that are located within the County, thus encouraging startup of new businesses and relocation and expansion of existing businesses within the County.

These loans are made at a favorable interest rate that varies with the prime rate. The governing board approves these loans after giving consideration to the major criteria, including enhancement of the economic environment. Normally, these loans are made in conjunction with other third-party lender financing through financial institutions. The businesses' assets and personal guarantees of the owners collateralize most of these loans; however, in many instances, NCDC's collateral interest is subordinated to the third-party lender. These loans have variable maturities dependent upon use, such as working capital or equipment acquisition. Interest is recognized on these loans as it is paid.

The membership of NCDC consists of the nine Board members of the Agency, the Chairperson of the County Legislature or his/her designee, and three additional members appointed by the Board at its discretion. Because the Agency is considered a business-type activity and the activities of NCDC do not blend into this presentation, the activity of NCDC has been presented as a discretely-presented component unit of the Agency. Internal balances that include NCDC's \$150,000 investment in the Agency and the Agency's related effect on net assets have been eliminated for purposes of this presentation in the accompanying financial statements to avoid the impact of "grossing-up" the affected financial statement line items. In addition, separate financial statements of NCDC are available from the Agency.

### **Measurement Focus:**

The Agency 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 Agency's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

The Agency's policy for defining operating activities in the statements of revenues, expenses, and changes in net assets are those that generally result from exchange transactions such as payments received for services and payments made to purchase those goods or services. Certain other transactions are reported as nonoperating activities and include the Agency's operating grants from State, Federal, and local sources, and investment income.

### **Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Net Assets:**

- *Invested in capital assets, net of related debt* – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net assets* – net assets are considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws.
- *Unrestricted net assets* – consists of all other net assets that do not meet the definition of the above two components and are available for general use by the Agency.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy concerning which to apply first varies with the intended use and associated legal requirements. Management typically makes this decision on a transactional basis and will apply unrestricted resources first, if permissible by law.

### **Cash:**

Investment policies are governed by State laws and as established in the Agency's and NCDC's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Management is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's and NCDC's deposits may not be returned to it. At December 31, 2010, the Agency's and NCDC's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust departments or agents in the Agency's and NCDC's names.

Restricted cash represents cash whose use is limited by legal requirements for which offsetting liabilities have been recognized.

**Allowance for Uncollectible Loans and Receivables (NCDC):**

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

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

Interest on notes receivable is accrued as required by the terms of the agreement; management considers that collection is probable based on the current economic condition of the borrower. Interest accrual stops when a loan becomes past due and does not commence again until the loan is current.

**Deferred Financing Costs:**

Deferred financing costs are capitalized and amortized on a straight-line basis over the life of the debt issue as a component of interest expense.

**Property and Equipment:**

Property and equipment are recorded at cost. Contributed assets are recorded at fair value at the time received. Depreciation is provided over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization policy	Estimated Useful life
Buildings and improvements	\$ 5,000	3-40 years
Furniture and equipment	\$ 1,000	5-40 years
Infrastructure	\$ 5,000	25 years

**Budgetary Policies:**

Agency administration prepares a proposed budget for the Operating Fund, which is then approved by the Agency's Board of Directors. This budget is then submitted to the County Legislature for review. Such appropriations constitute a limitation on expenses that may be incurred. Appropriations lapse at year end.

**2. Restatement of Net Assets**

Effective January 1, 2010, the Agency adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). This pronouncement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. For derivative instruments associated with hedgeable items that are determined to be effective in reducing exposures to identified financial risks, the changes in fair values of the hedging derivative instrument are reported as either deferred inflows or outflows in a government's statement of net assets.

The following summarizes the effect of GASB 53 on net assets of the Agency as of December 31, 2009.

Net assets as previously reported, Agency	\$ 4,433,986
Deferred outflow on interest rate swap	<u>(139,098)</u>
Restated net assets, Agency	<u>\$ 4,294,888</u>

### 3. Loans Receivable (NCDC):

<hr/>	
Various notes receivable from companies with operations in Niagara County, due in aggregate monthly installments of approximately \$19,600 including interest at rates ranging from 5.0% to 6.8%, generally secured by secondary position on assets and personal guarantees, due through December 2020.	\$ 2,607,899
Less allowance for uncollectible loans	1,113,503
Less current portion	<u>302,350</u>
	<u>\$ 1,192,046</u>

NCDC has six revolving loan programs offering low interest loans to area businesses. The governing board approves loans after giving consideration to the major criteria, including enhancement of the economic environment.

These programs consist of the following:

- *EDA revolving loan account* – established through federal grants from the Economic Development Administration (EDA) and transferred from NCIDA pursuant to an agreement dated July 16, 1992
- *HUD revolving loan account* – established through federal grants from the Department of Housing and Urban Development (HUD) and transferred from NCIDA pursuant to an agreement dated July 16, 1992
- *Town of Lockport revolving loan account* – established in 2002 with a HUD Community Development Block Grant (CDBG) to aid industries in the Town of Lockport
- *IDA revolving loan account* – pursuant to an agreement dated July 16, 1992 between NCIDA and NCDC, IDA #1 and IDA #2 Revolving Loan Accounts were combined into one loan account (IDA Revolving Loan Account (IDA-RLA)) and transferred from NCIDA to NCDC
- *Micro revolving loan account* – established in 1996 with a HUD CDBG to assist in the establishment and expansion of microenterprise business activity within the County, create employment opportunities for low to moderate income County residents, and preserve and expand the County’s tax base
- *Capital incentive growth revolving loan account* – established in 1998 to provide start-up expansion capital for technology-based companies seeking to retain or establish local ownership.

#### 4. Property and Equipment:

	Balance January 1, 2010	Increases	Retirements/ Reclassifications	Balance December 31, 2010
Capital assets not being depreciated:				
Land	\$ 9,205	\$ -	\$ (560)	\$ 8,645
Capital assets being depreciated:				
Land improvements	63,758	-	-	63,758
Buildings	7,180,711	-	-	7,180,711
Furniture and equipment	192,529	51,753	-	244,282
Infrastructure	67,862	21,911	-	89,773
Total depreciated assets	7,504,860	73,664	-	7,578,524
Less accumulated depreciation:				
Land improvements	57,210	1,086	-	58,296
Buildings	2,045,313	191,485	-	2,236,798
Furniture and equipment	163,460	19,045	-	182,505
Infrastructure	3,845	2,715	-	6,560
Total accumulated depreciation	2,269,828	214,331	-	2,484,159
Total depreciable assets, net	5,235,032	(140,667)	-	5,094,365
	<b>\$ 5,244,237</b>	<b>\$ (140,667)</b>	<b>\$ (560)</b>	<b>\$ 5,103,010</b>

#### 5. Investments:

##### Incubator Facility Fund:

During 1985, the Agency made a \$30,000 capital contribution to Niagara Industrial Incubator Associates (NIIA), a limited partnership and related party, formed for the purpose of developing an incubator facility in the area designated as a foreign trade zone. The partnership is composed of the general partner, Niagara Industrial Incubator Company (itself a partnership between the Agency and Niagara Frontier Transportation Authority) and the limited partner, Niagara Wheatfield Investments. This investment is accounted for at cost. Separate audited financial statements for this venture are available from the Agency.

#### 6. Long-Term Debt:

Job Development Authority	\$ 913,060
Niagara Economic Development Fund	48,095
Bank of America commercial loan	647,677
	<u>1,608,832</u>
Less current portion	177,252
	<u>\$ 1,431,580</u>

Aggregate maturities on long-term debt subsequent to December 31, 2010 are:

	Principal	Interest
2011	\$ 177,252	\$ 108,522
2012	193,564	94,573
2013	99,632	82,545
2014	100,133	76,073
2015	104,134	69,249
2016-2020	652,622	223,982
2021-2023	281,495	23,051
	<u>\$ 1,608,832</u>	<u>\$ 677,995</u>

### Internal Balances – Loan Payable:

In 1993, NCDC loaned the Agency \$165,000 to complete construction of the Agency's office space within the multi-tenant facility. In 1996, NCDC loaned the Agency an additional \$145,000 for capital requirements of the multi-tenant facility. Interest on this loan was established at the investment return experienced by NCDC's Industrial Development Agency Revolving Loan Program. In prior years, accrued interest was added to the loan balance, but remained unpaid. Lastly, in 1996 NCDC loaned the Agency \$6,900 to be used to fund a storage room for the resource center.

On December 31, 2001, the Agency formalized the borrowing arrangement through a 15-year promissory note. The promissory note bears interest at 5%, with monthly principal and interest payments of \$2,533. On December 31, 2016, a balloon payment of \$95,821 is due and payable unless a mutually acceptable renewal option negotiated 90 days prior to the final payment date has been exercised. For the year ended December 31, 2010, interest amounted to \$11,918. The balance outstanding on this loan as of December 31, 2010 was \$228,285.

During 2003, the Agency borrowed \$150,000 from NCDC to complete a build-out in the Vantage Centre for a tenant-occupied space. The loan was interest-free during the construction period. At the end of the construction period, interest accrues at a rate of 5% and is repaid in 40 quarterly payments of \$1,250 plus interest with a final balloon payment or option of renewal. For the year ended December 31, 2010, interest in the amount of \$2,906 has been recognized. The amount outstanding under this arrangement amounted to \$48,750 as of December 31, 2010.

### Loans Payable, Multi-Tenant Facilities:

#### Multi-Tenant Facility - Wheatfield

From 1992 through 1994, the Agency constructed a Multi-Tenant Facility in the foreign trade zone in the Town of Wheatfield near the airport. Funding for the construction of the Facility consists of the following:

Federal Assistance Award,	
U.S. Department of Commerce	\$1,100,000
NYS Job Development Authority realty loan	700,000
Niagara Economic Development Fund loan	250,000
Niagara County Industrial Development	
Agency cash contribution	150,000
	<u>\$2,200,000</u>

In December 1997, the Agency received loans of \$700,000 and \$250,000 respectively from the New York Job Development Authority and Niagara Economic Development Fund, a related party as explained in Note 10. The land, buildings and improvements of the Multi-Tenant Facility located at 2055 Niagara Falls Boulevard, Town of Wheatfield, New York, secure the loans.

The mortgage notes payable are fifteen year notes with monthly payments of principal and interest of \$7,267 and \$2,043 beginning February 1, 1998 and January 1, 2001, respectively, and continuing until January 1, 2013. For the year ended December 31, 2010, total interest paid amounted to \$22,220. The interest rate on the \$700,000 note is 9.4%. The rate of interest on the \$250,000 note is 5.5%. Amounts outstanding under these loans at December 31, 2010 total \$211,924.

#### Multi-Tenant Facility - Vantage International Pointe

During 2001, the Agency constructed a second Multi-Tenant Incubator Facility in Vantage International Pointe in the Town of Wheatfield. Funding for the construction of the facility consisted of the following:

Federal Assistance Award,	
U.S. Department of Commerce	\$ 1,000,000
NYS Job Development Authority	
realty loan	950,000
Commercial loan	950,000
NCIDA cash contribution	500,000
HUD Federal Assistance Award	
through the County	400,000
Other internal resources	235,060
County, in-kind land contribution	109,688
	<u>\$ 4,144,748</u>

Bank of America issued a construction loan in the amount of \$2,300,000 as interim financing until the project was complete. This loan was bifurcated into two construction loans. One, in the amount of \$1,350,000, had a term of 12 months, with monthly interest-only payments. The second, in the amount of \$950,000, has a term of 21 years, with monthly interest-only payments for the first 12 months followed by monthly principal and interest payments based on a 20-year schedule. The loan has a permanent interest rate equal to the one-month LIBOR rate plus 135 basis points, hedged with a fixed-rate swap converted to the holder's tax-exempt rate (Note 7). Amounts outstanding under this loan total \$647,677 at December 31, 2010.

Security for the loan includes a co-equal first mortgage with the United States Department of Commerce Economic Development Agency on the land and building located at Vantage International Pointe, including a co-equal first lien on all fixtures, equipment, and furnishings acquired by the Agency and used in construction, operations, or maintenance of the property, a co-equal first conditional assignment of rights under all leases and occupancy agreements, and a co-equal first assignment of all licenses, permits, approvals or contracts related to the development of the project.

During 2003, the temporary construction loan was replaced by a mortgage with the New York State Job Development Authority in the amount of \$950,000. The loan has a 20-year term with payments of \$96,635 and a fixed interest rate of 8.18% per annum. Amounts outstanding under this loan total \$749,231 at December 31, 2010. The note is secured by any and all buildings, structures, and improvements at 6311 Inducon Corporate Drive. This note is subordinate to the lien to Bank of America in an amount not in excess of \$950,000.

**7. Interest Rate Swap:**

The Agency has entered into an interest rate swap to manage interest costs related to long-term debt. The Agency has evaluated the swap using the consistent critical terms method and deemed it to be effective.

The interest rate swap was entered into on December 19, 2000 and terminates on December 1, 2021. The Agency pays a 5.4% fixed rate and receives the one-month LIBOR plus 135 basis points in return.

Additional terms are as follows as of December 31, 2010:

Notional amount	\$ 647,677
Fair value	(151,168)
Net cash flows during the year	43,963

The Agency is exposed to interest rate risk on its pay-variable, receive-fixed interest rate swap. As LIBOR decreases, the Agency's net payment increases.

**8. Operating Lease:**

The Agency accounts for the rental of its office space in the Multi-Tenant/Incubator Facility at Vantage International Pointe as an expense in its operating fund and a revenue in its Vantage International Pointe Multi-Tenant Facility Fund. Rent expense and common area charges for the year ended December 31, 2010 amounted to \$79,344 and \$9,259, respectively.

**9. Pension:**

The Agency participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Deferred Compensation Plan. ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244-0001.

ERS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined between January 1976 and December 2009. Participants hired on or after January 1, 2010 are required to contribute 3% of compensation throughout their active membership. No employee contributions are required for those who joined ERS prior to July 1976.

The Comptroller annually certifies the rates, expressed as a percentage of the wages of participants, used to compute the contributions required to be made by the Agency to the pension accumulation fund.

The required contributions and rates over the past three years were:

	Amount	Rate
2010 \$	99,678	11.2-15.2%
2009	43,626	6.9-9.2%
2008	48,385	7.9-10.7%

The Agency's contributions were equal to 100% of the amount required for each year.

#### **10. Related-Party Transactions:**

##### **Administration Fees:**

The Agency received \$4,000 in administration fees from NIIA during the year ended December 31, 2010.

During 2010, the Agency received \$50,000 in administration fees from Niagara Economic Development Fund (NEDF), a business trust whose membership consists of representatives of the Empire State Development Corporation, the New York Power Authority, the City of Niagara Falls, and the Agency. The Agency serves as its trustee and NCDC as the loan fund administrator. No loan origination fees were received from NEDF during the year ended December 31, 2010.

##### **Other:**

The Agency and NCDC have entered into various borrowing arrangements with each other. All short-term borrowings are of an interest-free nature, while longer term borrowings carry an interest rate that reflects borrowings that would be made to third parties. Borrowings are reflected as internal balances in the accompanying financial statements.

#### **11. Industrial Revenue Bond and Note Transactions:**

Certain industrial revenue bonds and notes issued by the Agency are secured by property that is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange financing between the borrowing companies and the bond and note holders. Funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

#### **12. Risk Management:**

The Agency purchases commercial insurance for various risks of loss due to torts, theft, damage, injuries to employees, errors and omissions, and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

#### **13. Commitments and Contingencies:**

##### **Grants:**

The Agency receives financial assistance from federal and state agencies in the form of grants. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Agency. Based on prior experience, management expects any such amounts to be immaterial.

##### **Litigation:**

The Agency is involved in certain legal proceedings which, in the opinion of management, will not have a material adverse effect upon the financial position of the Agency.

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**Supplementary Information**  
**Schedule of Intra-Agency Balance Sheets by Operating Unit**

December 31, 2010

	Operating	Multi-Tenant Facility Operating	Microenterprise	VIP Park Development	VIP Multi-Tenant Operating	Total
<b>Assets</b>						
<b>Current assets:</b>						
Cash						
Unrestricted	\$ 899,526	\$ 348,092	\$ 45	\$ -	\$ 53,458	\$ 1,301,121
Restricted	103,056	9,659	-	-	54,539	167,254
Accounts receivable						
Trade	16,770	-	-	-	10,523	27,293
Affiliates	51,189	-	-	-	-	51,189
NCDC	52,225	-	-	-	-	52,225
Prepaid expenses	32,016	5,390	-	835	10,796	49,037
Due from other operating units	628,879	-	-	2,245	-	631,124
	<u>1,783,661</u>	<u>363,141</u>	<u>45</u>	<u>3,080</u>	<u>129,316</u>	<u>2,279,243</u>
Property and equipment, net	60,736	1,608,976	-	69,947	3,363,351	5,103,010
Deferred financing costs, net	-	2,187	-	-	35,022	37,209
Investment in affiliate	30,000	-	-	-	-	30,000
	<u>90,736</u>	<u>1,611,163</u>	<u>-</u>	<u>69,947</u>	<u>3,398,373</u>	<u>5,170,219</u>
	<u>\$ 1,874,397</u>	<u>\$ 1,974,304</u>	<u>\$ 45</u>	<u>\$ 73,027</u>	<u>\$ 3,527,689</u>	<u>\$ 7,449,462</u>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities:</b>						
Accounts payable	\$ 58,608	58,728	\$ 45	\$ -	\$ 6,316	\$ 123,697
Due to other governments	41,937	57,014	-	-	-	98,951
Current portion of long-term obligations						
Due others	-	74,926	-	-	79,899	154,825
Due affiliates	-	22,427	-	-	-	22,427
Due NCDC	-	19,418	-	-	15,000	34,418
Deferred revenue	142,276	18,895	-	-	-	161,171
Security deposits	-	9,659	-	-	14,333	23,992
Due to other operating units	-	60,659	-	86,224	484,241	631,124
	<u>242,821</u>	<u>321,726</u>	<u>45</u>	<u>86,224</u>	<u>599,789</u>	<u>1,250,605</u>
Long-term obligations						
Due others	-	88,903	-	-	1,317,009	1,405,912
Due affiliates	-	25,668	-	-	-	25,668
Due NCDC	-	208,867	-	-	33,750	242,617
Deferred outflow on interest rate swap	-	-	-	-	151,168	151,168
	<u>-</u>	<u>323,438</u>	<u>-</u>	<u>-</u>	<u>1,501,927</u>	<u>1,825,365</u>
<b>Net assets (deficit):</b>						
Invested in capital assets, net of related debt	60,736	1,382,878	-	69,947	1,952,715	3,466,276
Unrestricted	1,570,840	(53,738)	-	(83,144)	(526,742)	907,216
Total net assets (deficit)	<u>1,631,576</u>	<u>1,329,140</u>	<u>-</u>	<u>(13,197)</u>	<u>1,425,973</u>	<u>4,373,492</u>
	<u>\$ 1,874,397</u>	<u>\$ 1,974,304</u>	<u>\$ 45</u>	<u>\$ 73,027</u>	<u>\$ 3,527,689</u>	<u>\$ 7,449,462</u>

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Supplementary Information  
 Schedule of Intra-Agency Revenues, Expenses, and Changes in Net Assets by Operating Unit

December 31, 2010

	Operating	Multi-Tenant Facility Operating	Microenterprise	VIP Park Development	VIP Multi-Tenant Operating	Total
<b>Operating revenues:</b>						
Fees	\$ 572,342	\$ -	\$ -	\$ -	\$ -	\$ 572,342
Rental income and common area charges	-	313,964	-	-	312,332	626,296
Administrative fees from affiliates	121,335	-	-	-	-	121,335
Miscellaneous	32,339	75	-	-	437	32,851
Total operating revenues	726,016	314,039	-	-	312,769	1,352,824
<b>Operating expenses:</b>						
Personnel services	431,633	-	-	-	-	431,633
Contractual expenses	181,628	6,212	2	1,327	11,492	200,661
Occupancy	120,968	38,880	-	1,388	77,211	238,447
Employee benefits	226,478	-	-	-	-	226,478
Interest expense	-	34,139	-	-	109,684	143,823
Depreciation and amortization	18,771	84,527	-	2,715	112,270	218,283
Total operating expenses	979,478	163,758	2	5,430	310,657	1,459,325
Operating gain (loss)	(253,462)	150,281	(2)	(5,430)	2,112	(106,501)
<b>Nonoperating revenues (expenses):</b>						
Grants from state and local governments	51,978	-	-	-	-	51,978
Interest income	4,077	552	-	-	142	4,771
Income from investment in affiliated organization	33,500	-	-	-	-	33,500
Income from joint venture	57,014	(57,014)	-	-	-	-
Loss on sale of assets	-	-	-	(560)	-	(560)
New York State administrative fee reversal	164,500	-	-	-	-	164,500
Change in fair value of interest rate swap	-	-	-	-	(12,070)	(12,070)
Total nonoperating revenues (expenses)	311,069	(56,462)	-	(560)	(11,928)	242,119
Net gain (loss)	57,607	93,819	(2)	(5,990)	(9,816)	135,618
Transfer to Niagara Frontier Transportation Authority	-	(57,014)	-	-	-	(57,014)
Net assets (deficit) - beginning (as restated)	1,573,969	1,292,335	2	(7,207)	1,435,789	4,294,888
Net assets (deficit) - ending	\$ 1,631,576	\$ 1,329,140	\$ -	\$ (13,197)	\$ 1,425,973	\$ 4,373,492

**NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**Supplementary Information  
Schedule of Intra-Agency Operating Expenses**

**December 31, 2010**

	Operating	Multi-Tenant Facility Operating	Microenterprise	VIP Park Development	VIP Multi-Tenant Operating	Total
Contractual expenses:						
Marketing	\$ 51,369	\$ -	\$ -	\$ -	\$ -	\$ 51,369
Conferences and travel	1,784	-	-	-	-	1,784
Postage	3,860	-	-	-	-	3,860
Office supplies and expense	12,971	13	2	-	173	13,159
Printing	1,959	-	-	-	-	1,959
Telephone and internet	8,827	-	-	-	-	8,827
Library and memberships	1,491	-	-	-	-	1,491
Professional fees	73,179	68	-	-	-	73,247
Insurance	18,465	6,131	-	1,327	11,319	37,242
Computer consulting	7,036	-	-	-	-	7,036
Other consulting	-	-	-	-	-	-
Miscellaneous	687	-	-	-	-	687
	<b>\$ 181,628</b>	<b>\$ 6,212</b>	<b>\$ 2</b>	<b>\$ 1,327</b>	<b>\$ 11,492</b>	<b>\$ 200,661</b>

**NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

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**Supplementary Information  
Schedule of Expenditures of Federal Awards**

**For the year ended December 31, 2010**

See Independent Auditors' Report

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<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
<b>Passed through Niagara County</b>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Various	\$ 435,876
<b><u>U.S. Department of Commerce:</u></b>			
<b>Passed through Niagara County</b>			
Economic Adjustment Assistance	11.307	Various	<u>768,528</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,204,404</b>

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# NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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## Notes to Schedule of Expenditures of Federal Awards

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### 1. Summary of Significant Accounting Policies:

#### Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Niagara County Industrial Development Agency (the Agency) and its component unit, Niagara County Development Corporation (NCDC), entities defined in Note 1 to the Agency's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Expenditures are calculated as required by the applicable program and do not constitute actual program disbursements.

#### Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the Agency's financial reporting system.

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Directors  
Niagara County Industrial Development Agency

We have audited the financial statements of Niagara County Industrial Development Agency (the Agency) and its discretely presented component unit, Niagara County Development Corporation (NCDC) as of and for the year ended December 31, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 11, 2011. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency'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*.

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

*Junsden # McCormick, LLP*

March 11, 2011

**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

The Board of Directors  
Niagara County Industrial Development Agency

**Compliance**

We have audited Niagara County Industrial Development Agency's (the Agency) and its discretely presented component unit, Niagara County Development Corporation's (NCDC) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of their major federal programs for the year ended December 31, 2010. The Agency's and NCDC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of the Agency's and NCDC's management. Our responsibility is to express an opinion on the Agency's and NCDC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's and NCDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's and NCDC's compliance with those requirements.

In our opinion, the Agency and NCDC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of their major federal programs for the year ended December 31, 2010.

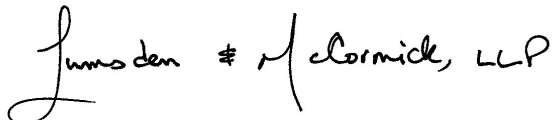
**Internal Control over Compliance**

Management of the Agency and NCDC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's and NCDC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's and NCDC's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in cursive script that reads "Jumsden & McCormick, LLP".

March 11, 2011

**NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

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**Schedule of Findings and Questioned Costs**

**December 31, 2010**

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**Section I. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA #</u>	<u>Amount</u>
Economic Adjustment Assistance	11.307	<u>\$ 768,528</u>

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

Auditee qualified as low-risk auditee? Yes

**Section II. Financial Statement Findings**

No matters were reported.

**Section III. Federal Award Findings and Questioned Costs**

No matters were reported.

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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**Summary Schedule of Prior Audit Findings**

December 31, 2010

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<u>Reference Number</u>	<u>Discussion</u>	<u>Cost</u>	<u>Status of Finding</u>
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No findings were reported and as such no corrective action plan is needed.