

**AUDITED
FINANCIAL STATEMENTS**

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

DECEMBER 31, 2020

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**BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF COUNTY OF ERIE, NEW YORK)
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Buffalo and Erie County Industrial Land Development Corporation (the ILDC), a component unit of the County of Erie, New York, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements which collectively comprise the ILDC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the ILDC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ILDC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ILDC, as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021 on our consideration of the ILDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ILDC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ILDC's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 24, 2021

BUFFALO & ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION

Management's Discussion and Analysis

**December 31, 2020
(UNAUDITED)**

Buffalo & Erie County Industrial Land Development Corporation (ILDC) was incorporated for the purpose of participating in the acquisition and development of industrial sites and to provide financial assistance for the acquisition or renovation of fixed assets by industrial companies locating or expending in the County of Erie, New York (the County). ILDC is considered a component unit of the County. ILDC also manages a microenterprise revolving loan program on behalf of the County.

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

In compliance with GASB Statement No. 34, we present the attached overview and analysis of the financial activities of ECIDA as of and for the years ended December 31, 2020, 2019 and 2018. We encourage readers to consider the information presented here in conjunction with ILDC's audited financial statements.

In 2020 the ILDC was impacted by the COVID-19 pandemic and state of emergency declaration in New York State. ILDC was able to work with borrowers to defer loan payments, if needed. Erie County also made changes to the existing microenterprise loan fund to boost small businesses, rebranding it as a Microenterprise Loan/Grant Program. ILDC continued to move forward in developing brownfield property at the former Bethlehem Steel site in Lackawanna, NY, and completed the purchase of land at the former Angola Airport site in Evans, NY.

Basic Overview of the Financial Statements

Included in this report are the following financial statements:

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

Financial Highlights

- ILDC's total net position increased by 13% from \$6,260,000 in 2019 to \$7,043,000 in 2020.
- ILDC experienced an increase in net position of \$783,000 in 2020 compared to a decrease of \$403,000 in 2019.
- Operating revenues increased 449% from \$71,000 in 2019 to \$390,000 in 2020.
- Operating expenses increased 179% from \$239,000 in 2019 to \$667,000 in 2020.

Condensed Comparative Financial Statements:

1. Statements of Net Position:

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

Table 1
Statements of Net Position at December 31, 2020, 2019 and 2018
(Amounts in thousands)

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2018</u>
Assets:					
Cash	\$ 1,945	\$ 208	\$ 1,737	835%	\$ 228
Grants receivable	514	1,919	(1,405)	-73%	1,671
Loans receivable, net	36	37	(1)	-3%	19
Other assets	2	283	(281)	-99%	-
Land held for sale	6,900	5,860	1,040	18%	6,531
Total assets	\$ 9,397	\$ 8,307	\$ 1,090	13%	\$ 8,449
Liabilities:					
Accounts payable	\$ 33	\$ 9	\$ 24	267%	\$ 1,416
Due to affiliate	283	251	32	13%	209
Unearned revenue	2,038	1,787	251	14%	161
Total liabilities	2,354	2,047	307	15%	1,786
Net position:					
Restricted	206	221	(15)	-7%	205
Unrestricted	6,837	6,039	798	13%	6,458
Total net position	7,043	6,260	783	13%	6,663
Total liabilities and net position	\$ 9,397	\$ 8,307	\$ 1,090	13%	\$ 8,449

Cash – ILDC's cash balance increased 835% or \$1,737,000 primarily due to a decrease in grants receivables of \$1,405,000 and an overall increase in net position of \$783,000.

Grants Receivable – Grants receivable decreased 73% or \$1,405,000 due to the receipt of \$1,755,000 from Empire State Development for Phase II of Bethlehem Steel land acquisition, combined with a new receivable of \$354,000 from National Grid for Western New York Agribusiness Park Planning.

Loans Receivable, net – Loans receivable relate to the microenterprise revolving loan fund, known as the Erie County Business Development Fund. Loans receivable decreased slightly (\$1,000) from 2019 to 2020, due to payments on loan principal during the year.

Other Assets – Other assets include deposits on land purchases, affiliate receivables, and capital assets. The decrease in other assets of \$281,000 from 2019 to 2020 is due to decreases deposits on land purchases (\$155,000) and affiliate receivables (\$125,000). The deposit on land at the end of 2019 was used toward the purchase of property the Angola Airport site in 2020, and affiliate receivables were collected. The increase in other assets between 2018 and 2019 related mainly to those same categories.

Land Held for Sale – Land held for sale consists of 138 acres of land at the former Bethlehem Steel property in Lackawanna, NY and 236 acres of land at the former Angola Airport site in Evans, NY. In connection with its economic development purpose, ILDC is working with several partners to return these underutilized properties to productive use. The \$1,040,000 increase in land held for sale from 2019 to 2020 reflects the purchase of the Evans, NY property. The decrease in land held for sale from 2018 to 2019 is due to a sale of property at the Lackawanna site.

Accounts Payable – The \$24,000 increase in accounts payable from 2019 to 2020 is primarily due to an increase in payables related to project consultants. The \$1,416,000 decrease in accounts payable between 2018 and 2019 related to a large payable related to ECIDA reimbursement in 2018.

Unearned Revenue – Unearned revenue relates to grants awarded to the ILDC, for which the related revenue has not yet been recognized. The \$251,000 increase from 2019 to 2020 is due to an increase in the dollar amount of grants awarded. The increase from 2018 to 2019 was due to grants awarded during 2019.

2. Change in Net Position:

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

Table 2
Change in Net Position for the Years ended December 31, 2020, 2019 and 2018
(Amounts in thousands)

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2018</u>
Revenue:					
Administrative fee income	\$ 382	\$ -	\$ 382	100%	\$ 83
Gain on land held for sale	-	34	(34)	-100%	-
Land Development and other	8	37	(29)	-78%	1
Total revenue	<u>\$ 390</u>	<u>\$ 71</u>	<u>\$ 319</u>	<u>449%</u>	<u>\$ 84</u>
Expenses:					
Transfer to ECIDA	\$ 477	\$ 61	\$ 416	682%	\$ 160
General and administrative	189	177	12	7%	114
Depreciation	1	1	-	0%	-
Total expenses	<u>667</u>	<u>239</u>	<u>428</u>	<u>179%</u>	<u>274</u>
Operating loss	(277)	(168)	(109)	65%	(190)
Nonoperating revenue					
Grant income	1,163	1,047	116	11%	3,131
Grant and loan loss expenses	(103)	(1,282)	1,179	-92%	(3,011)
Change in net position	<u>\$ 783</u>	<u>\$ (403)</u>	<u>\$ 1,186</u>	<u>-294%</u>	<u>\$ (70)</u>

3. Revenue Analysis:

Administrative Fees – ILDC is an issuer of tax-exempt bond financing for not-for-profit entities. These bonds are not obligations of the ILDC or the County. ILDC receives bond issuance fees from borrowers for providing this service. ILDC has a shared services agreement with ECIDA under which administrative and staffing services are provided to ILDC in connection with bond issuances in exchange for the related bond issuance fees received by ILDC. There was one bond issued in 2020, accounting for the increase in fees from 2019. Similarly, there was one bond issued in 2018, which caused the decrease in fees for 2019.

Land Development and Other – Land development income arises from payments from third parties for use of ILDC-owned land. Other income consists of interest on loans and loan loss recoveries. The \$29,000 decrease from 2019 to 2020 is due mainly to a \$19,000 loan recovery in 2019. This is also the reason for the increase from 2018 to 2019.

4. Expense Analysis:

Transfer to ECIDA – The amount transferred to ECIDA each year under the shared services agreement consists of administrative fees for bond issuances plus charges from ECIDA for personnel and overhead. Charges for personnel and overhead are derived from ECIDA employee hours dedicated to ILDC-related projects. The \$416,000 increase from 2019 to 2020 relates mainly to an administrative fee of \$382,000 for a bond issuance. The decrease from 2018 to 2019 relates to an \$83,000 bond issuance fee in 2018. There were no ILDC bond issuances in 2019.

General and Administrative – In 2020, general and administrative expenses increased \$12,000 from \$177,000 to \$189,000. The increase was due mainly to increased insurance and property tax costs related to additional property acquired in 2020. General and administrative expenses also increased \$63,000 from 2018 to 2019 as a result of increased costs related to property owned.

Grant Income – Grant income increased \$116,000 in 2020 from \$1,047,000 in 2019. This was due mainly to a grant from ECIDA in the amount of \$855,000 to fund the acquisition of the former Angola Airport site. The decrease from 2018 to 2019 relates to grant income recognized in 2018 related to the purchase of the former Bethlehem Steel site.

Grant and Loan Loss Expenses – Grant expenses relate directly to the costs involved with certain projects undertaken by the ILDC and can vary from year to year based on activity. There was a \$1,279,000 decrease in grant and loan loss expenses from 2019 to 2020, due to the recognition of \$750,000 of loan loss expense in 2019 in relation fully reserving the balance of a forgivable loan.

5. Budget Analysis:

ILDC prepares an annual budget which was presented and approved by the Board of Directors on October 23, 2019. The following table (Table 3) presents an analysis of ILDC's performance compared to the approved 2020 budget.

Table 3
Budget to Actual Analysis for the year ended December 31, 2020
(Amounts in thousands)

Budget to Actual Analysis:

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
Revenue:				
Administrative fee income	\$ 382	\$ -	\$ 382	100%
Land development and other	8	250	(242)	-97%
	<hr/>			
Total revenue	390	250	140	56%
Expenses:				
Transfer to ECIDA	477	58	419	722%
General and administrative	189	54	135	250%
Depreciation and other	1	1	-	0%
	<hr/>			
Total expenses	667	113	554	490%
Operating income (loss)	(277)	137	(414)	-302%
Grant income	1,163	2,080	(917)	-44%
Grant expenses	(103)	(2,080)	1,977	100%
	<hr/>			
Change in net position	\$ 783	\$ 137	\$ 646	472%

Overall, ILDC exceeded its budgeted increase in net position for 2020 by \$646,000. Total revenue was \$140,000, or 56%, above the budgeted amount due to administrative fees collected in 2020. Due to the unpredictable nature of bond issuances, ILDC typically does not include any administrative fees in its budget. Total expenses were \$554,000, or 490%, above budget. Grant income was \$917,000 below the budgeted amount, while grant expenses were \$1,977,000 below budget. The 2020 budgeted grant figures included \$1,755,000 of income and expense that did not require reimbursement to ECIDA, as originally anticipated.

6. Economic Factors Impacting ILDC:

ILDC relies upon land sale income to generate revenue for continued operations, as well as grant income from Erie County and other economic development partners to defray the costs associated with land development. As a result of current uncertain economic conditions ILDC's ability to generate the income necessary to support operations may be limited in the future.

7. Requests for Information:

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

**BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF COUNTY OF ERIE, NEW YORK)
STATEMENTS OF NET POSITION
DECEMBER 31,**

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash	\$ 1,944,866	\$ 207,639
Grants receivable	514,051	1,919,084
Loans receivable, current	11,643	13,812
Interest receivable	-	70
Due from affiliate	-	125,000
Deposit on land purchase	-	155,638
Total current assets	<u>2,470,560</u>	<u>2,421,243</u>
Noncurrent assets:		
Loans receivable, net	24,323	22,750
Capital assets, net	1,625	2,600
Land held for sale	6,900,166	5,860,358
Total noncurrent assets	<u>6,926,114</u>	<u>5,885,708</u>
Total assets	<u>\$ 9,396,674</u>	<u>\$ 8,306,951</u>
LIABILITIES		
Accounts payable	\$ 32,648	\$ 8,885
Due to affiliate	283,473	250,630
Unearned revenue	2,038,052	1,787,518
Total liabilities	<u>2,354,173</u>	<u>2,047,033</u>
NET POSITION		
Restricted	205,713	220,810
Unrestricted	6,836,788	6,039,108
Total net position	<u>7,042,501</u>	<u>6,259,918</u>
Total liabilities and net position	<u>\$ 9,396,674</u>	<u>\$ 8,306,951</u>

See accompanying notes to financial statements.

**BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF COUNTY OF ERIE, NEW YORK)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Land development and other income	\$ 388,800	\$ 17,500
Interest from loans	725	538
Loan loss recoveries	-	18,750
Gain on land held for sale	-	33,791
Total operating revenues	<u>389,525</u>	<u>70,579</u>
Operating expenses:		
Transfer to Erie County Industrial Development Agency	477,095	61,470
General and administrative	188,403	176,446
Depreciation	975	325
Total operating expenses	<u>666,473</u>	<u>238,241</u>
Operating loss	(276,948)	(167,662)
Nonoperating revenues (expenses):		
Grant income	1,162,960	1,046,975
Grant expenses	(103,466)	(1,281,975)
Interest income	37	14
Total nonoperating revenues (expenses)	<u>1,059,531</u>	<u>(234,986)</u>
Change in net position	782,583	(402,648)
Net position - beginning of year	<u>6,259,918</u>	<u>6,662,566</u>
Net position - end of year	<u>\$ 7,042,501</u>	<u>\$ 6,259,918</u>

See accompanying notes to financial statements.

**BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF COUNTY OF ERIE, NEW YORK)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Land development and other income	\$ 388,800	\$ 17,500
Transfers to Erie County Industrial Development Agency	(319,252)	(144,586)
Principal and interest received on loans	11,109	8,511
Loan disbursements	(9,718)	(25,281)
Loan loss recoveries	-	18,750
Payments to vendors and affiliates	(164,640)	(1,583,492)
Net cash used by operating activities	<u>(93,701)</u>	<u>(1,708,598)</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Grant income	2,818,527	2,424,693
Grant expense	(103,466)	(1,281,975)
Acquisition of capital assets and land held for sale	155,638	(158,563)
Purchase of land held for sale	(1,039,808)	-
Sale of land held for sale	-	704,105
Net cash provided by capital and financing activities	<u>1,830,891</u>	<u>1,688,260</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	37	14
Net cash provided by capital and financing activities	<u>37</u>	<u>14</u>
Net increase (decrease) in cash	1,737,227	(20,324)
Cash - beginning of year	<u>207,639</u>	<u>227,963</u>
Cash - end of year	<u>\$ 1,944,866</u>	<u>\$ 207,639</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (276,948)	\$ (167,662)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	975	325
Gain on sale of land	-	(33,791)
(Increase) decrease in loans receivable	596	(17,268)
(Increase) decrease in interest receivable	70	(40)
(Increase) decrease in due from affiliate	125,000	(125,000)
Increase (decrease) in accounts payable	23,763	(1,407,046)
Increase (decrease) in due to affiliate	32,843	41,884
Net cash used by operating activities	<u>\$ (93,701)</u>	<u>\$ (1,708,598)</u>

See accompanying notes to financial statements.

**BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF COUNTY OF ERIE, NEW YORK)
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The ILDC was incorporated for the purpose of participating in the acquisition and development of industrial sites and to provide financial assistance for the acquisition or renovation of fixed assets by industrial companies locating or expanding in the County of Erie, New York (the County). ILDC manages a microenterprise revolving loan program which is dedicated to improving economic conditions in the County.

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

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

B. BASIS OF PRESENTATION

Revenues from administrative fees, land development income and interest on loans are reported as operating revenues. Capital grants and related expenses are reported as nonoperating income.

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

D. INCOME TAXES

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

E. GRANTS AND UNEARNED REVENUE

Grants are recognized at the time awarded, with timing differences resulting from funds spent and earned. ECIDA receives special project grants from various Federal, State and County governments. Grants received but not expended are reported as unearned revenue.

**BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF COUNTY OF ERIE, NEW YORK)
NOTES TO FINANCIAL STATEMENTS**

F. LOANS RECEIVABLE

Loans receivable are presented net of an allowance for uncollectible accounts. The ILDC maintains an allowance for estimated uncollectible accounts which is based on an analysis of the loan portfolio and reflects an amount that, in management's judgment, is adequate to provide for potential loan losses. Loans are written off when, in management's judgment, no legal recourse is available to collect the amount owed.

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

G. TAX EXEMPT BOND TRANSACTIONS

The ILDC is an issuer of tax-exempt bond financing for not-for-profit entities. These bonds are obligations of the borrower. Since ILDC has no obligation to repay the principal and interest of such bonds, they are not reflected as liabilities in the accompanying financial statements. ILDC receives bond issuance fees from the borrower for providing this service. ILDC also has a shared services agreement with ECIDA under which administrative and staffing services are provided to ILDC in connection with bond issuances in exchange for the related bond issuance fees received by ILDC. Bond issuance fees are recognized immediately upon issuance of the related bond. The original value of tax-exempt bonds issued by ILDC was \$34,370,000 as of December 31, 2020 (\$0 – 2019).

H. NET POSITION

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

- a. Restricted - Consists of net positions with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restrictions include amounts maintained in the Erie County Business Development Fund (Erie County BDF).
- b. Unrestricted - All other net positions that do not meet the definition of "restricted".

I. STATEMENTS OF CASH FLOWS

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

J. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

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

K. ACCOUNTING PRONOUNCEMENTS

On May 8, 2020, the GASB issued Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* in response to the COVID-19 pandemic. The effective dates of GASB Statements not yet implemented by the ILDC have been updated below to reflect the impact of this Statement. There were no new GASB Statements implemented by the ILDC for the year ended December 31, 2020.

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

**BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF COUNTY OF ERIE, NEW YORK)
NOTES TO FINANCIAL STATEMENTS**

- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending December 31, 2021.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending December 31, 2022.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending December 31, 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates*, which will be effective for the year ending December 31, 2021, except for paragraph 11b, which will be effective for the year ending December 31, 2022.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for the year ending December 31, 2023.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the year ending December 31, 2023.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32*, which will be effective for the year ending December 31, 2022.

NOTE 2. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. ASSETS

1. CASH AND INVESTMENTS

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

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

As of December 31, 2020 and 2019, the ILDC's aggregate bank deposits were considered fully collateralized.

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

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

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

**BUFFALO AND ERIE COUNTY INDUSTRIAL
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NOTES TO FINANCIAL STATEMENTS**

Custodial Credit Risk

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

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

2. LOANS RECEIVABLE

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

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

During 2019, the ILDC provided a \$750,000 forgivable loan to a borrower. The full balance of the loan will be forgiven in installments of \$150,000 from 2024 through 2029 as long as the borrower meets certain job creation and retention requirements as set forth in the agreement. The full \$750,000 forgivable loan was included with special project grant expense for the year ended December 31, 2019. The full balance of the loan forgiven is included in loans receivable and fully recognized in the allowance for forgivable loan. The following is a summary of the loans receivable:

	<u>2020</u>	<u>2019</u>
Total loans receivable	\$ 785,966	\$ 786,562
Less: allowance for forgivable loan	<u>750,000</u>	<u>750,000</u>
Loans receivable, net	35,966	36,562
Less: current maturities	<u>11,643</u>	<u>13,812</u>
Loans receivable - long-term	<u><u>\$ 24,323</u></u>	<u><u>\$ 22,750</u></u>

**BUFFALO AND ERIE COUNTY INDUSTRIAL
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NOTES TO FINANCIAL STATEMENTS**

At December 31, 2020, the Erie County BDF loan portfolio consisted of 2 loans that both bear an interest at rate of 2% with varying payment terms.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 11,643	\$ 607
2022	7,552	412
2023	7,091	271
2024	7,234	128
2025	<u>2,446</u>	<u>10</u>
Total	\$ <u>35,966</u>	\$ <u>1,428</u>

NOTE 3. GRANTS AND LAND HELD FOR SALE

In February 2017 the ILDC entered into a funding agreement with the ECIDA to accept \$6,700,000 in the form of a partially refundable grant from ECIDA's U.S. Department of Housing and Urban Development Urban Development Action Grant (UDAG) reflow fund in connection with a Brownfield reclamation and redevelopment project at the former Bethlehem Steel site in Lackawanna, New York. \$5,700,000 of the grant was earmarked for the purchase of real property, with the remaining \$1,000,000 to be used for carrying costs during and after property acquisition. Additional funding of up to \$700,000 for property acquisition was granted from ECIDA's UDAG reflow fund in September 2017. As of December 31, 2020, \$6,338,416 of the \$6,400,000 total granted for the purchase of real property and \$706,126 of the \$1,000,000 granted for carrying costs was utilized.

In connection with the land purchase, ILDC authorized the execution of a \$2,780,000 grant from Empire State Development (ESD). Proceeds from this grant will be used to reimburse ECIDA. ILDC also resolved to remit to ECIDA 50% of the net proceeds received upon the future sale of portions of the Bethlehem Steel site acquired using ECIDA grant funds, in an amount not to exceed \$6,700,000. As of December 31, 2020, \$3,155,000 in reimbursements have been made to ECIDA.

In connection with Phase II of the former Bethlehem Steel Site redevelopment, ILDC authorized the execution of a \$1,755,000 grant from ESD as Phase 1 of a capital grant under the Buffalo Billion II initiative. Proceeds from this grant will be used to acquire additional vacant Brownfield property on the Site, purchase a right-of-way along the eastern edge of the property, and planning for the Lackawanna-Woodlawn State Park Shoreline trail. As of December 31, 2020, the full \$1,755,000 of this grant was received.

In December 2018 the ILDC entered into a funding agreement with the ECIDA to accept \$1,200,000 in the form of a partially refundable grant from ECIDA's UDAG reflow fund in connection with a redevelopment project at the former Angola Airport site in Angola, New York. \$900,000 of the grant was designated for the purchase of real property, with the remaining \$300,000 to be used for carrying costs during and after property acquisition. As of December 31, 2020, \$855,084 of the \$900,000 granted for the purchase of real property and \$19,409 of the \$300,000 granted for carrying costs was utilized.

**BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF COUNTY OF ERIE, NEW YORK)
NOTES TO FINANCIAL STATEMENTS**

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

	<u>2020</u>	<u>2019</u>
Bethlehem Steel Master Plan/GEIS - EDA	\$ 160,051	\$ 164,084
Bethlehem Steel Acquisition Phase II-ESD	-	1,755,000
WNY Agribusiness Park Planning-National Grid	<u>354,000</u>	<u>-</u>
Total	<u>\$ 514,051</u>	<u>\$ 1,919,084</u>

Land held for sale is recorded at net realizable value based on assessment of the fair value of each project. The net realizable value as of December 31, 2020 and 2019 amounted to \$6,900,166 and \$5,860,358, respectively.

NOTE 4. DEPOSIT ON LAND PURCHASE

In April 2019, the ILDC entered into agreements to purchase property at the former Angola Airport site. The total deposit on the land purchases was \$155,638. Of that amount, \$155,000 is related to the earnest money deposit and the remaining \$638 is related to consulting expenses incurred in conjunction with the purchase. In 2020, the ILDC completed the purchase of the land at a total cost of \$1,010,507.

NOTE 5. RELATED PARTY TRANSACTIONS

ECIDA allocates a portion of its personnel and overhead costs to ILDC which amounted to \$95,045 as of December 31, 2020 (\$61,470 – 2019). The amount outstanding to ECIDA at December 31, 2020 related to these costs amounted to \$95,045 (\$61,470 – 2019). ILDC owed ECIDA for reimbursable costs of \$286 as of December 31, 2020 (\$1,017 – 2019). Amounts Due to ECIDA totaled \$283,473 as of December 31, 2020 (\$250,630 – 2019)

ILDC has a shared services agreement with ECIDA under which administrative and staffing services are provided to ILDC in connection with bond issuances in exchange for the administrative fees received by ILDC related to these bond transactions. ILDC transferred \$382,050 in administrative fees to ECIDA in 2020 (\$0 – 2019)..

NOTE 6. CONTINGENCIES

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. Management has discussed the ILDC's operations and the impact of this event. They have determined that this event will likely not have a significant impact on the assets or operations of the ILDC.

NOTE 7. SUBSEQUENT EVENT

Management has evaluated subsequent events through March 24, 2021, which is the date the financial statements are available for issuance and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

SUPPLEMENTARY INFORMATION

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**BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF COUNTY OF ERIE, NEW YORK)
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	<u>Operating</u>	<u>Erie County BDF Program</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 1,762,554	\$ 182,312	\$ 1,944,866
Grants receivable	514,051	-	514,051
Loans receivable, short-term	-	11,643	11,643
Total current assets	<u>2,276,605</u>	<u>193,955</u>	<u>2,470,560</u>
Noncurrent assets:			
Loans receivable, net	-	24,323	24,323
Capital assets, net	1,625	-	1,625
Land held for sale	6,900,166	-	6,900,166
Total noncurrent assets	<u>6,901,791</u>	<u>24,323</u>	<u>6,926,114</u>
Total assets	<u>\$ 9,178,396</u>	<u>\$ 218,278</u>	<u>\$ 9,396,674</u>
LIABILITIES			
Accounts payable	\$ 32,409	\$ 239	\$ 32,648
Due to affiliate	271,147	12,326	283,473
Unearned revenue	2,038,052	-	2,038,052
Total liabilities	<u>2,341,608</u>	<u>12,565</u>	<u>2,354,173</u>
NET POSITION			
Restricted	-	205,713	205,713
Unrestricted	6,836,788	-	6,836,788
Total net position	<u>6,836,788</u>	<u>205,713</u>	<u>7,042,501</u>
Total liabilities and net position	<u>\$ 9,178,396</u>	<u>\$ 218,278</u>	<u>\$ 9,396,674</u>

**BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF COUNTY OF ERIE, NEW YORK)
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Operating</u>	<u>Erie County BDF Program</u>	<u>Total</u>
Operating revenues:			
Land development and other income	\$ 388,800	\$ -	\$ 388,800
Interest from loans	-	725	725
Total operating revenues	<u>388,800</u>	<u>725</u>	<u>389,525</u>
Operating expenses:			
Transfer to Erie County Industrial Development Agency	464,769	12,326	477,095
General and administrative	184,903	3,500	188,403
Depreciation	975	-	975
Total operating expenses	<u>650,647</u>	<u>15,826</u>	<u>666,473</u>
Operating loss	(261,847)	(15,101)	(276,948)
Nonoperating revenues (expenses):			
Grant income	1,162,960	-	1,162,960
Grant expenses	(103,466)	-	(103,466)
Interest income	33	4	37
Total nonoperating revenues (expenses)	<u>1,059,527</u>	<u>4</u>	<u>1,059,531</u>
Change in net position	797,680	(15,097)	782,583
Net position - beginning of year	<u>6,039,108</u>	<u>220,810</u>	<u>6,259,918</u>
Net position - end of year	<u>\$ 6,836,788</u>	<u>\$ 205,713</u>	<u>\$ 7,042,501</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Buffalo and Erie County Industrial Land Development Corporation (the ILDC), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the ILDC's financial statements, and have issued our report thereon dated March 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the ILDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ILDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the ILDC's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ILDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ILDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Buffalo, New York

March 24, 2021



INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the Buffalo and Erie County Industrial Land Development Corporation's (the ILDC) compliance with the New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law (collectively, the "Investment Guidelines") during the period January 1, 2020 through December 31, 2020. Management of the ILDC is responsible for the ILDC's compliance with the specified requirements. Our responsibility is to express an opinion on the ILDC's compliance with the specified requirements based on our examination.

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

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

In our opinion, the ILDC complied, in all material respects, with the Investment Guidelines during the period of January 1, 2020 through December 31, 2020.

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

Freed Maxick CPAs, P.C.

Buffalo, New York
March 24, 2021