

**AUDITED
FINANCIAL STATEMENTS**

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

DECEMBER 31, 2021

**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

Opinion

We have audited the 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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the ILDC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the ILDC as of December 31, 2021 and 2020, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States.. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the ILDC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the ILDC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ILDC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during our audit.

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 is the responsibility of management and, 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the ILDC's basic financial statements. The combining statement of net position and combining statement of revenues, expenses and changes in net position are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of net position and combining statement of revenues, expenses and changes in net position are fairly stated, in all material respects, in relation to the basic 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, 2022 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, 2022

BUFFALO & ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION

Management's Discussion and Analysis

**December 31, 2021
(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 a 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, 2021, 2020 and 2019. We encourage readers to consider the information presented here in conjunction with ILDC's audited financial statements.

In 2021 the ILDC continued to move forward in developing brownfield property at the former Bethlehem Steel site (now known as Renaissance Commerce Park) in Lackawanna, NY, and the former Angola Airport site in Evans, NY. ILDC completed the first part of the Phase II land purchase in Lackawanna and began the Master Planning/GEIS process in Evans. Erie County continued to make adjustments to the Microenterprise Loan/Grant Program in response to the COVID-19 pandemic.

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 12% from \$7,043,000 in 2020 to \$7,863,000 in 2021.
- ILDC experienced an increase in net position of \$820,000 in 2021 compared to an increase of \$783,000 in 2020.
- Operating revenues decreased 135% from \$390,000 in 2020 to (\$135,000) in 2021.
- Operating expenses decreased 46% from \$667,000 in 2020 to \$360,000 in 2021.

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, 2021, 2020 and 2019
(Amounts in thousands)

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2019</u>
Assets:					
Cash	\$ 2,037	\$ 1,945	\$ 92	5%	\$ 208
Grants receivable	7,653	514	7,139	1389%	1,919
Loans receivable, net	667	36	631	1753%	37
Other assets	1	2	(1)	-50%	283
Land held for sale	7,233	6,900	333	5%	5,860
Total assets	\$ 17,591	\$ 9,397	\$ 8,194	87%	\$ 8,307
Liabilities:					
Accounts payable	\$ 23	\$ 33	\$ (10)	-30%	\$ 9
Due to affiliate	458	283	175	62%	251
Unearned revenue	9,247	2,038	7,209	354%	1,787
Total liabilities	9,728	2,354	7,374	313%	2,047
Net position:					
Restricted	652	206	446	217%	221
Unrestricted	7,211	6,837	374	5%	6,039
Total net position	7,863	7,043	820	12%	6,260
Total liabilities and net position	\$ 17,591	\$ 9,397	\$ 8,194	87%	\$ 8,307

Cash – ILDC's cash balance increased 5% or \$92,000 in 2021, compared to an increase of 835% or \$1,737,000 in 2020. The 2021 increase was primarily due to the receipt of grant income and the sale of property in 2021.

Grants Receivable – Grants receivable increased 1389% or \$7,139,000 due to a grant award of \$7,695,000 from Empire State Development, combined with grant receipts during the year. In 2020 there was a decrease of 73% or \$1,405,000 due to the receipt of \$1,755,000 from Empire State Development.

Loans Receivable, net – Loans receivable relate to the microenterprise revolving loan fund, known as the Erie County Business Development Fund. Loans receivable increased \$631,000 from 2020 to 2021 due to 22 new loans during the year. There was a \$1,000 decrease in loans receivable from 2019 to 2020.

Land Held for Sale – Land held for sale consists of 161 acres of land at Renaissance Commerce Park in Lackawanna, NY and 234 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 \$333,000 increase in land held for sale from 2020 to 2021 reflects the purchase of another portion of property at the Lackawanna site. The \$1,040,000 increase from 2019 to 2020 was due to the purchase of the Evans, NY property.

Accounts Payable – The \$10,000 decrease in accounts payable from 2020 to 2021 is primarily due to a decrease in payables related to project consultants. The \$24,000 increase in accounts payable between 2019 and 2020 related to an increase in consultant payables.

Unearned Revenue – Unearned revenue relates to grants awarded to the ILDC, for which the related revenue has not yet been recognized. The \$7,209,000 increase from 2020 to 2021 is due to an increase in the dollar amount of grants awarded, mainly \$7,695,000 from Empire State Development, combined with grant revenue recognized. The increase from 2019 to 2020 was also due to an increase in grants awarded.

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, 2021, 2020 and 2019
(Amounts in thousands)

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2019</u>
Revenue:					
Administrative fee income	\$ -	\$ 382	\$ (382)	100%	\$ -
Gain (loss) on land held for sale	(146)	-	(146)	100%	34
Land Development and other	11	8	3	38%	37
Total revenue	<u>\$ (135)</u>	<u>\$ 390</u>	<u>\$ (525)</u>	<u>-135%</u>	<u>\$ 71</u>
Expenses:					
Transfer to ECIDA	\$ 130	\$ 477	\$ (347)	-73%	\$ 61
General and administrative	229	189	40	21%	177
Depreciation	1	1	-	0%	1
Total expenses	<u>360</u>	<u>667</u>	<u>(307)</u>	<u>-46%</u>	<u>239</u>
Operating loss	(495)	(277)	(218)	79%	(168)
Nonoperating revenue					
Grant income	1,814	1,163	651	56%	1,047
Grant and loan loss expenses	(500)	(103)	(397)	385%	(1,282)
Interest/other income	1	-	1	100%	-
Change in net position	<u>\$ 820</u>	<u>\$ 783</u>	<u>\$ 37</u>	<u>5%</u>	<u>\$ (403)</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 were no such bonds issued in 2021, accounting for the decrease in fees from 2020. Conversely, there was one bond issued in 2020, causing the increase in fees for 2020.

Gain (Loss) on Land Held for Sale – ILDC sells rehabilitated land as part of its economic development activities. When the sale price of land is greater than the book cost (including land improvements), a gain is recognized, and when the sale price is less than the book cost, a loss is recognized. The sale price of land sold in 2021 was less than the cost of land to ILDC. In 2020, there were no land sales. In 2019 the sale price exceeded the cost of land.

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 \$3,000 increase from 2020 to 2021 is due mainly to a year-long land use agreement, which began in late 2020. The decrease from 2019 to 2020 was due to a large loan recovery in 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 \$347,000 decrease from 2020 to 2021 relates mainly to an administrative fee of \$382,000 for a bond issuance in 2020. There were no ILDC bonds issued in 2021. The increase from 2019 to 2020 relates to the same \$382,000 administrative fee in 2020.

General and Administrative – In 2021, general and administrative expenses increased \$40,000 from \$189,000 to \$229,000. The increase was due mainly to a \$77,000 grant application fee related to the \$7,695,000 award from Empire State Development. General and administrative expenses also increased \$12,000 from 2019 to 2020 as a result of increased costs related to property owned.

Grant Income – Grant income increased \$651,000 to \$1,814,000 in 2021, from \$1,163,000 in 2020. This was due to \$560,000 sub-granted from Erie County related to the Microenterprise grant/loan program and \$259,000 recognized related to the Angola site Master Plan/GEIS. The increase from 2019 to 2020 relates to grant income recognized in 2020 related to the acquisition of the former Angola Airport 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 \$397,000 increase in grant and loan loss expenses from 2020 to 2021, due to the recognition of \$74,000 of loan loss expense and an increase in grant-eligible project expenses. The decrease from 2019 to 2020 related to the recognition of \$750,000 of loan loss expense related to the full 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 28, 2020. The following table (Table 3) presents an analysis of ILDC's performance compared to the approved 2021 budget.

Table 3
Budget to Actual Analysis for the year ended December 31, 2021
(Amounts in thousands)

Budget to Actual Analysis:

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
Revenue:				
Administrative fee income	\$ -	\$ -	\$ -	0%
Gain(loss) on land held for sale	(146)	-	(146)	-100%
Land development and other	11	263	(252)	-96%
	<hr/>			
Total revenue	(135)	263	(398)	-151%
Expenses:				
Transfer to ECIDA	130	60	70	117%
General and administrative	229	107	122	114%
Depreciation and other	1	-	1	100%
	<hr/>			
Total expenses	360	167	193	116%
Operating income (loss)	(495)	96	(591)	-616%
Grant income	1,814	4,805	(2,991)	-62%
Grant expenses	(426)	(3,250)	2,824	-87%
Interest/other	(73)	-	(73)	-100%
	<hr/>			
Change in net position	\$ 820	\$ 1,651	\$ (831)	-50%

Overall, ILDC fell below its budgeted increase in net position for 2021 by \$831,000. Total revenue was \$398,000, or 151%, below the budgeted amount due to loss recorded on the sale of property in 2021. Total expenses were \$360,000, or 116%, above budget. Grant income was \$2,991,000 below the budgeted amount, while grant expenses were \$2,824,000 below budget. The 2021 budgeted grant figures included \$2,500,000 of income and expense for a grant that was delayed. Interest/other expense of \$73,000 occurred as a result of recording a provision for loan losses, which was not included in the budget.

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>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash	\$ 2,036,777	\$ 1,944,866
Grants receivable	7,653,095	514,051
Loans receivable, current	61,167	11,643
Total current assets	<u>9,751,039</u>	<u>2,470,560</u>
Noncurrent assets:		
Loans receivable, net	605,544	24,323
Capital assets, net	650	1,625
Land held for sale	7,233,513	6,900,166
Total noncurrent assets	<u>7,839,707</u>	<u>6,926,114</u>
Total assets	<u>\$ 17,590,746</u>	<u>\$ 9,396,674</u>
LIABILITIES		
Accounts payable	\$ 22,746	\$ 32,648
Due to affiliate	458,111	283,473
Unearned revenue	9,246,953	2,038,052
Total liabilities	<u>9,727,810</u>	<u>2,354,173</u>
NET POSITION		
Restricted	652,277	205,713
Unrestricted	7,210,659	6,836,788
Total net position	<u>7,862,936</u>	<u>7,042,501</u>
Total liabilities and net position	<u>\$ 17,590,746</u>	<u>\$ 9,396,674</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>2021</u>	<u>2020</u>
Operating revenues:		
Land development and other income	\$ 9,600	\$ 388,800
Loss on land held for sale	(146,122)	-
Interest from loans	1,861	725
Total operating revenues	<u>(134,661)</u>	<u>389,525</u>
Operating expenses:		
Transfer to Erie County Industrial Development Agency	129,863	477,095
General and administrative	229,612	188,403
Depreciation	975	975
Total operating expenses	<u>360,450</u>	<u>666,473</u>
Operating loss	(495,111)	(276,948)
Nonoperating revenues (expenses):		
Grant income	1,813,707	1,162,960
Grant expenses	(425,525)	(103,466)
Bad debt expense	(74,079)	-
Other income	1,237	-
Interest income	206	37
Total nonoperating revenues, net	<u>1,315,546</u>	<u>1,059,531</u>
Change in net position	820,435	782,583
Net position - beginning of year	<u>7,042,501</u>	<u>6,259,918</u>
Net position - end of year	<u>\$ 7,862,936</u>	<u>\$ 7,042,501</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>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Land development and other income	\$ 11,461	\$ 388,800
Transfers (to) from Erie County Industrial Development Agency	44,775	(319,252)
Principal and interest received on loans	55,176	11,109
Loan disbursements	(760,000)	(9,718)
Payments to vendors and affiliates	(239,514)	(164,640)
Net cash used by operating activities	<u>(888,102)</u>	<u>(93,701)</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Grant income	1,883,564	2,818,527
Grant expense	(425,525)	(103,466)
Proceeds from sale of land	214,200	-
Purchase of land held for sale	(693,669)	(884,170)
Net cash provided by capital and financing activities	<u>978,570</u>	<u>1,830,891</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and other income	1,443	37
Net cash provided by capital and financing activities	<u>1,443</u>	<u>37</u>
Net increase in cash	91,911	1,737,227
Cash - beginning of year	<u>1,944,866</u>	<u>207,639</u>
Cash - end of year	<u>\$ 2,036,777</u>	<u>\$ 1,944,866</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (495,111)	\$ (276,948)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	975	975
Loss on land held for sale	146,122	-
Bad debt expense	(74,079)	-
(Increase) decrease in loans receivable	(630,745)	596
Decrease in interest receivable	-	70
Decrease in due from affiliate	-	125,000
Increase (decrease) in accounts payable	(9,902)	23,763
Increase in due to affiliate	174,638	32,843
Net cash used by operating activities	<u>\$ (888,102)</u>	<u>\$ (93,701)</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 the resources that encourage investment, innovation, workforce development and international trade resulting in a successful business climate focused on growth, economic stability, job creation and retention for businesses and individuals which 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. ILDC 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.

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

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.

- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2022.
- 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.

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

- Statement No. 93, *Replacement of Interbank Offered Rates*, is 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, 2021 and 2020, 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.

During 2021, the ILDC provided a provision for loan loss of \$74,079 related to the Erie County BDF Loan Program. As the ILDC was unable to determine collectability of new loan recipients, the ILDC elected to estimate a 10% loan loss reserve in the amount of \$74,079 as of December 31, 2021. The following is a summary of the loans receivable:

	<u>2021</u>	<u>2020</u>
Total loans receivable	\$ 1,490,790	\$ 785,966
Less: provision for loan loss	<u>824,079</u>	<u>750,000</u>
Loans receivable, net	666,711	35,966
Less: current maturities	<u>61,167</u>	<u>11,643</u>
Loans receivable - long-term	<u>\$ 605,544</u>	<u>\$ 24,323</u>

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

At December 31, 2021, the Erie County BDF loan portfolio consisted of 23 loans that bear an interest 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>
2022	\$ 61,167	\$ 14,140
2023	82,795	12,742
2024	83,853	11,084
2025	78,730	9,459
2026	140,605	7,258
Thereafter	<u>293,640</u>	<u>2,206</u>
Total	\$ <u>740,790</u>	\$ <u>56,889</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, 2021, \$6,338,416 of the \$6,400,000 total granted for the purchase of real property and \$921,181 of the \$1,000,000 granted for carrying costs was utilized. (2020 - \$6,338,416 and \$706,126).

In connection with the Phase I land purchase, ILDC authorized a \$2,780,000 grant from Empire State Development (ESD). Proceeds from this grant were used to reimburse ECIDA. In addition, ILDC 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, the aggregate of which is not to exceed \$6,700,000. As of December 31, 2021, \$3,259,500 in reimbursements have been made to ECIDA (2020 - \$3,155,000).

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, 2021 and 2020, the full \$1,755,000 of this grant was received.

Phase II of the capital grant in the amount of \$7,695,000 under the Buffalo Billion II initiative was authorized by ILDC in 2021. Proceeds from this grant will be used toward the design and construction of infrastructure improvements including additional environmental remediation, and the installation of new roads and utility corridors. As of December 31, 2021, \$1,000,000 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, 2021, \$855,084 of the \$900,000 granted for the purchase of real property and \$69,269 of the \$300,000 granted for carrying costs was utilized (2020 - 855,084 and \$19,409).

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

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

	<u>2021</u>	<u>2020</u>
Bethlehem Steel Master Plan/GEIS	\$ 465,330	\$ 160,051
Bethlehem Steel - Buffalo Billion II	6,695,000	-
WNY Agribusiness Park Planning	492,765	354,000
Total	<u>\$ 7,653,095</u>	<u>\$ 514,051</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, 2021 and 2020 amounted to \$7,233,513 and \$6,900,166, respectively.

NOTE 4. RELATED PARTY TRANSACTIONS

ECIDA allocates a portion of its personnel and overhead costs to ILDC which amounted to \$124,534 as of December 31, 2021 (\$95,045 – 2020). The amount outstanding to ECIDA at December 31, 2021 related to these costs amounted to \$124,534 (\$95,045 – 2020). ILDC owed ECIDA for reimbursable costs of \$657 as of December 31, 2021 (\$286 – 2020). ILDC owed ECIDA for other reimbursable grant costs of \$254,606 as of December 31, 2021 (\$188,143 – 2020). Amounts due to ECIDA totaled \$458,111 as of December 31, 2021 (\$283,473 – 2020).

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. There was no administrative fees transferred to ECIDA in 2021 (\$382,050 – 2020).

NOTE 5. SUBSEQUENT EVENT

Management has evaluated subsequent events through March 24, 2022, 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

**BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF COUNTY OF ERIE, NEW YORK)
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	<u>Operating</u>	<u>Erie County BDF Program</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 2,022,830	\$ 13,947	\$ 2,036,777
Grants receivable	7,653,095	-	7,653,095
Loans receivable, short-term	-	61,167	61,167
Total current assets	<u>9,675,925</u>	<u>75,114</u>	<u>9,751,039</u>
Noncurrent assets:			
Loans receivable, net	-	605,544	605,544
Capital assets, net	650	-	650
Land held for sale	7,233,513	-	7,233,513
Total noncurrent assets	<u>7,234,163</u>	<u>605,544</u>	<u>7,839,707</u>
Total assets	<u>\$ 16,910,088</u>	<u>\$ 680,658</u>	<u>\$ 17,590,746</u>
LIABILITIES			
Accounts payable	\$ 17,388	\$ 5,358	\$ 22,746
Due to affiliate	435,088	23,023	458,111
Unearned revenue	9,246,953	-	9,246,953
Total liabilities	<u>9,699,429</u>	<u>28,381</u>	<u>9,727,810</u>
NET POSITION			
Restricted	-	652,277	652,277
Unrestricted	7,210,659	-	7,210,659
Total net position	<u>7,210,659</u>	<u>652,277</u>	<u>7,862,936</u>
Total liabilities and net position	<u>\$ 16,910,088</u>	<u>\$ 680,658</u>	<u>\$ 17,590,746</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, 2021**

	<u>Operating</u>	<u>Erie County BDF Program</u>	<u>Total</u>
Operating revenues:			
Land development and other income	\$ 9,600	\$ -	\$ 9,600
Loss on sale of land	(146,122)	-	(146,122)
Interest from loans	-	1,861	1,861
Total operating revenues	<u>(136,522)</u>	<u>1,861</u>	<u>(134,661)</u>
Operating expenses:			
Transfer to Erie County Industrial Development Agency	102,108	27,755	129,863
General and administrative	228,912	700	229,612
Depreciation	975	-	975
Total operating expenses	<u>331,995</u>	<u>28,455</u>	<u>360,450</u>
Operating loss	(468,517)	(26,594)	(495,111)
Nonoperating revenues (expenses):			
Grant income	1,253,707	560,000	1,813,707
Grant expenses	(411,525)	(14,000)	(425,525)
Bad debt expense	-	(74,079)	(74,079)
Other income	-	1,237	1,237
Interest income	206	-	206
Total nonoperating revenues, net	<u>842,388</u>	<u>473,158</u>	<u>1,315,546</u>
Change in net position	373,871	446,564	820,435
Net position - beginning of year	<u>6,836,788</u>	<u>205,713</u>	<u>7,042,501</u>
Net position - end of year	<u>\$ 7,210,659</u>	<u>\$ 652,277</u>	<u>\$ 7,862,936</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, 2021, 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, 2022.

Report on 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.

Report 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 ILDC'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, 2022