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THE ECONOMIC DEVELOPMENT CORPORATION FOR ERIE COUNTY

April 15, 2016

Karen McCarthy
Clerk of the Legislature
Rath Building – 4th Floor
95 Franklin Street
Buffalo, New York 14202

Dear Ms. McCarthy,

As required under Section 859 of the General Municipal Law, we are enclosing a copy of the Erie County Industrial Development Agency's 2015 annual audited financial statements which include supplemental schedules listing indebtedness and all lease transactions and notes.

Please feel free to contact me if you have any questions or comments on the above. I can be reached at (716) 856-6525, ext. 123.

Regards,

Mollie M Profic

Mollie Profic
Controller

MP/rm
Enclosure

Comm. 8M-5

Erie County Industrial Development Agency • 95 Perry Street, Suite 403 • Buffalo, New York 14203 • ph. 716.856.6525 • fx. 716.856.6754 • www.ecidany.com

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2015

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, New York 14202

716-856-3300 | Fax 716-856-2524 | www.LumsdenCPA.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Erie County Industrial Development Agency

We have audited the accompanying financial statements of Erie County Industrial Development Agency (ECIDA), a business-type activity, which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ECIDA as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that management's discussion and analysis preceding the financial statements be presented to supplement the 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 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 financial statements, and other knowledge we obtained during our audit of the 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

The supplementary information on pages 13 and 14 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2016 on our consideration of ECIDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ECIDA's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

March 18, 2016

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

December 31, 2015
(UNAUDITED)

Erie County Industrial Development Agency (ECIDA) is a public benefit corporation that provides tax incentives, financing programs, international trade assistance, land development and other economic development services to the City of Buffalo (the City) and Erie County, New York (the County). In accomplishing its mission, ECIDA does not receive any operational funding from Federal, State, County or local sources. Instead, ECIDA relies primarily upon administrative fees charged to those businesses that utilize its products and services.

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

In compliance with GASB Statement No. 34, we present the attached overview and analysis of the financial activities of ECIDA as of and for the years ended December 31, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with ECIDA's audited financial statements.

Basic Overview of the Financial Statements

Included in this Annual Report are the following financial statements:

1) Balance Sheets - The balance sheets show the reader what ECIDA owns (assets and deferred outflows of resources) and what ECIDA owes (liabilities and deferred inflows of resources). The difference between ECIDA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) can be one way to measure ECIDA's financial position. Over time, increases or decreases in ECIDA's net position are an indicator of whether its financial health is improving or deteriorating.

2) Statements of Revenues, Expenses, and Changes in Net Position - This statement reports ECIDA's operating and nonoperating revenues by major source along with operating and nonoperating expenses. The difference between total revenues and expenses can be one way to measure ECIDA's operating results for the year.

3) Statements of Cash Flows - This statement reports ECIDA's cash flows from operating, capital and related financing, and investing activities.

Financial Highlights

- ECIDA's total net position increased by 11% from $21,184,000 in 2014 to $23,619,000 in 2015.
- ECIDA experienced an increase in net position of $2,435,000 in 2015 compared to $927,000 in 2014.
- Administrative fees, a key source of revenue for ECIDA, increased 83% from $2,057,000 in 2014 to $3,757,000 in 2015.
- Earnings from venture capital investments increased to $1,219,000 in 2015 from $1,137,000 in 2014.
- Operating expenses increased from $2,732,000 in 2014 to $2,898,000 in 2015.

Condensed Comparative Financial Statements:

1. Balance Sheets:

The following table (Table 1) presents condensed comparative financial information and was derived from the audited balance sheets of ECIDA.

Table 1
Balance Sheets as of December 31, 2015 and 2014
(Amounts in thousands)

	2015	2014	$ Change	% Change
Assets:				
Cash	$ 15,846	$ 13,181	$ 2,665	20%
Loans receivable, net of allowance	226	399	(173)	-43%
Special project grants receivable	-	23	(23)	-100%
Capital assets, net	1,751	1,821	(70)	-4%
Other assets	6,037	6,245	(208)	-3%
Restricted cash	4,132	4,254	(122)	-3%
Total assets	$ 27,992	$ 25,923	$ 2,069	8%
Liabilities:				
Current liabilities	$ 294	$ 362	$ (68)	-19%
Funds held on behalf of others	3,910	4,058	(148)	-4%
Other long-term liabilities	169	319	(150)	-47%
Total liabilities	4,373	4,739	(366)	-8%
Net position:				
Net investment in capital assets	1,751	1,821	(70)	-4%
Restricted	11,101	10,431	670	6%
Unrestricted	10,767	8,932	1,835	21%
Total net position	23,619	21,184	2,435	11%
Total liabilities and net position	$ 27,992	$ 25,923	$ 2,069	8%

Cash – ECIDA's cash balance increased 20% or $2,665,000 due to the change in net position (net income) of $2,435,000. An increase in tax abatement and tax-exempt financing projects resulted in an increase of $1,700,000 of administrative fees over 2014. Also, the ECIDA received $1,389,000 in payments from one of its venture capital investments.

Loans Receivable – Loans receivable represent various loans to businesses under a Federal Urban Development Action Grant (UDAG) loan program and conduit receivables. The $173,000 decrease in the loans receivable balance is due to loan repayments received during 2015.

Restricted Cash (Funds held on behalf of others) – Restricted cash consists primarily of funds held on behalf of others including the Buffalo Brownfields Redevelopment fund, Regional Redevelopment fund, and the Regionally Significant Project funds. The $122,000 or 3% decrease from 2014 is due to project costs used by the Regional Redevelopment fund of $767,000, partially offset by an increase of $616,000 in the Buffalo Brownfields Redevelopment fund due to typical receipts and eligible projects costs.

Other Assets – Other assets include ECIDA's venture capital investments, affiliate receivables, prepaid expenses, and other receivables. The decrease in other assets of $208,000 is primarily caused by venture capital investment distributions in excess of related equity method earnings by $122,000 and receivables of approximately $75,000 in 2014 that were received during 2015.

Current Liabilities – The $68,000 decrease in current liabilities is primarily due to a decrease of $43,000 in accounts payable due to larger invoices outstanding at the end of 2014.

Other Long-Term Liabilities – Other long-term liabilities primarily consist of conduit debt and decreased due to payments on loan participation agreements made in 2015.

2. Change in Net Position:

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

Table 2
Change in Net Position for the Years ended December 31, 2015 and 2014
(Amounts in thousands)

	2015	2014	$ Change	% Change
Revenue:				
Administrative fees	$ 3,757	$ 2,057	$ 1,700	83%
Investment income	1,219	1,137	82	7%
Affiliate management fees	353	330	23	7%
Other income	262	234	28	12%
Total revenue	$ 5,591	$ 3,758	$ 1,833	49%
Expenses:				
Salaries and benefits	$ 1,856	$ 1,679	$ 177	11%
General and administrative	899	901	(2)	0%
Depreciation and other	143	152	(9)	-6%
Total expenses	2,898	2,732	166	6%
Operating income before special project grants	2,693	1,026	1,667	162%
Special grants and nonoperating revenue				
Net special project grants	(273)	(109)	(164)	150%
Interest income	15	10	5	50%
Change in net position	$ 2,435	$ 927	$ 1,508	163%

3. Revenue Analysis:

Administrative Fees – Administrative fees are primarily collected from the issuance of various forms of tax abatements and tax-exempt financing. ECIDA relies on these fees to cover its operating costs; however, the amount of fees collected in any given year is largely dependent upon the local economic climate. Administrative fees increased $1,700,000 or 83% in 2015. Twenty-two projects were approved in 2015 and 2014. However, an additional four projects were closed through Buffalo & Erie County Industrial Land Development Corporation that generated $1,764,000 of administrative fees that are passed-through to ECIDA.

Affiliate Management Fees – Affiliate management fees represent salaries and overhead costs charged to the following ECIDA affiliates for services that ECIDA's employees provide to these organizations:

- Buffalo & Erie County Regional Development Corporation (RDC) - a lending corporation affiliated with ECIDA.
- Buffalo & Erie County Industrial Land Development Corporation (ILDC) - a lending corporation affiliated with ECIDA.

The following table (Table 3) illustrates the amounts charged to ECIDA's affiliated corporations in 2015 with comparisons for 2014:

Table 3
Affiliate Management Fees for the Years ended December 31, 2015 and 2014
(Amounts in thousands)

	2015	2014	$ Change	% Change
Affiliate Management Fees Charged:				
RDC	$ 353	$ 329	$ 24	7%
ILDC	-	1	(1)	-100%
Total Affiliate Management Fees	$ 353	$ 330	$ 23	7%

Affiliate management fees charged to RDC increased slightly due to increases in personnel costs.

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

Investment Income – Investment income includes ECIDA's proportionate share of net income derived from its venture capital investments. The income is comprised of earnings from an aerospace business investment of $1,219,000 in 2015 and $1,137,000 in 2014.

Salaries and Benefits – Payroll costs increased by $177,000 in 2015 due to annual wage increases, an increase in contributions to the pension plan, and an additional 0.5 full-time equivalents than in the prior year.

4. Expense Analysis:

General and Administrative – In 2015, General and Administrative expenses decreased $2,000 from $901,000 to $899,000. Key expense differences in 2015 include the following:

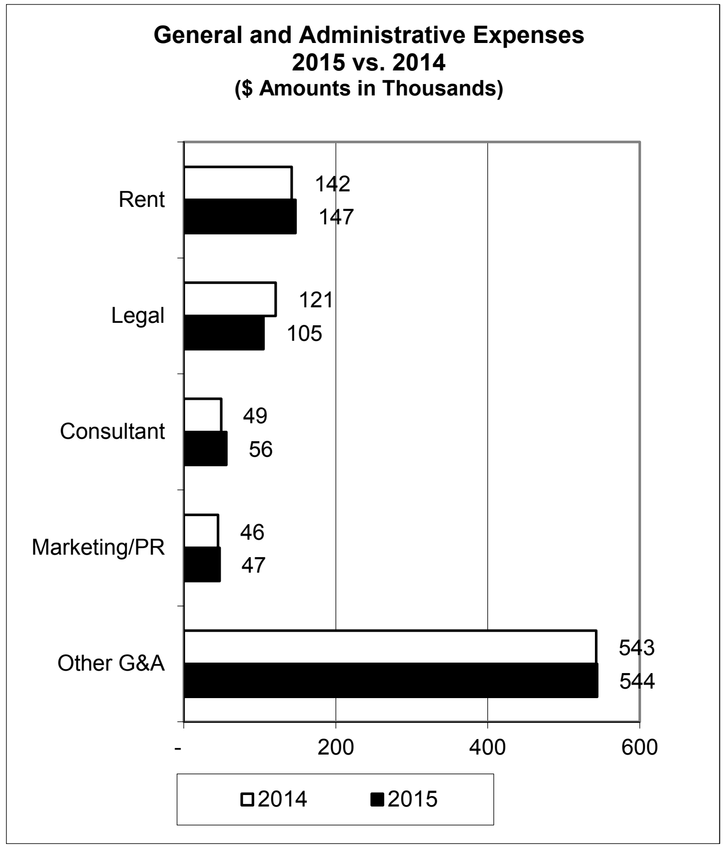
- Legal expense decreased by $16,000 due to a general decrease in matters requiring attorney assistance.

- Consultant expense increased $7,000 due to the use of a search firm to fill a vacant position.

- Other G&A expenses were flat, but include the following more significant fluctuations:

  - Sponsorship expenses increased $15,000 due to more sponsorships of economic development initiatives and conferences.

  - Export expenses decreased $23,000 from 2014 to 2015 due to the discontinuance of purchasing credit reports for foreign companies as part of the export program.



Depreciation – Depreciation expense for 2015 and 2014 was $137,000 and $124,000, respectively.

Net Special Project Grants – Net Special Project Grants decreased from a $109,000 net loss in 2014 to a net loss of $272,000 in 2015. In 2015, grants were made to Launch NY ($100,000) and the Buffalo Building Reuse Project ($200,000).

5. Budget Analysis:

ECIDA prepares an annual budget which was presented and approved by the Board of Directors on October 22, 2014. The following table (Table 4) presents an analysis of ECIDA's performance compared to the approved 2015 budget.

Table 4
Budget to Actual Analysis for the year ended December 31, 2015
(Amounts in thousands)

	Actual	Budget	$ Variance	% Variance
Revenue:				
Administrative fees	$ 3,757	$ 1,700	$ 2,057	121%
Investment income	1,219	600	619	103%
Affiliate management fees	353	327	26	8%
Other income	262	333	(71)	-21%
Total revenue	5,591	2,960	2,631	89%
Expenses:				
Salaries and benefits	1,856	1,866	(10)	-1%
General and administrative	899	886	13	1%
Depreciation and other	143	140	3	2%
Total expenses	2,898	2,892	6	0%
Operating income before special project grants	2,693	68	2,625	3860%
Net special project grants	(273)	(3,000)	2,727	100%
Interest income	15	13	2	15%
Change in net position	$ 2,435	$ (2,919)	$ 5,354	-183%

Budget to Actual Analysis:

Overall, ECIDA exceeded its budgeted increase in net position for 2015 by $5,354,000. Administrative fees revenue was 121% above the budgeted amount due to more tax incentive projects and tax-exempt bond issuances approved and closed than anticipated. Total expenses were within $6,000 of budget (less than 1%). Investment income was higher than budget as ECIDA's investments performed better than anticipated. Net special project grants had a positive variance of $2,727,000 as many of the budgeted special projects were not funded in 2015 such as the venture capital investment program, forgivable loan program, and the Grow Erie Fund.

6. Economic Factors Impacting ECIDA:

ECIDA relies extensively upon administrative fees to generate the majority of its annual revenue. As a result of current uncertain economic conditions and potential legislative/board actions, ECIDA's ability to generate the administrative fees necessary to support operations may be limited in the future.

7. Requests for Information:

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

Balance Sheets

December 31,	2015	2014
Assets		
Current assets:		
Cash	$ 15,846,215	$ 13,180,692
Receivables		
Current portion of conduit loans (Note 2)	18,765	18,765
Current portion of loans (Note 3)	11,148	22,327
Affiliates (Note 7)	341,189	301,035
Special project grants	-	23,456
Other	45,620	167,024
Prepaid expenses	22,088	26,586
	16,285,025	13,739,885
Noncurrent assets:		
Conduit loans receivable (Note 2)	168,883	168,883
Loans receivable, net (Note 3)	27,564	188,952
Capital assets, net (Note 5)	1,750,987	1,820,897
Other assets (Note 6)	5,628,026	5,750,593
Restricted cash (Note 4)	4,131,497	4,253,538
	11,706,957	12,182,863
	$ 27,991,982	$ 25,922,748
Liabilities and Net Position		
Current liabilities:		
Accounts payable	$ 143,038	$ 185,600
Accrued expenses	132,487	157,745
Current portion of conduit debt (Note 2)	18,765	18,765
	294,290	362,110
Noncurrent liabilities:		
Conduit debt (Note 2)	168,883	168,883
Loan participation agreements	-	150,000
Funds held on behalf of others (Note 4)	3,910,057	4,058,467
	4,078,940	4,377,350
Net position:		
Net investment in capital assets	1,750,987	1,820,897
Restricted	11,100,480	10,430,826
Unrestricted	10,767,285	8,931,565
	23,618,752	21,183,288
	$ 27,991,982	$ 25,922,748

See accompanying notes.

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended December 31,	2015	2014
Operating revenues:		
Administrative fees	**$ 3,756,732**	$ 2,057,252
Investment income	**1,218,549**	1,136,750
Affiliate management fees	**353,137**	329,668
Rental income	**182,216**	91,364
Loan interest	**13,741**	13,614
Other	**66,444**	128,805
Total operating revenues	**5,590,819**	3,757,453
Operating expenses:		
Salaries and benefits	**1,855,769**	1,678,667
General and administrative	**899,242**	900,522
Depreciation	**137,120**	123,580
Other	**5,192**	29,046
Total operating expenses	**2,897,323**	2,731,815
Operating income before special project grants	**2,693,496**	1,025,638
Special project grants:		
Revenue	**36,484**	39,084
Expenses	**(309,225)**	(148,649)
	(272,741)	(109,565)
Operating income	**2,420,755**	916,073
Nonoperating revenues:		
Interest	**14,709**	10,151
Change in net position	**2,435,464**	926,224
Net position - beginning	**21,183,288**	20,257,064
Net position - ending	**$ 23,618,752**	$ 21,183,288

See accompanying notes.

Statements of Cash Flows

For the years ended December 31,	2015	2014
Operating activities:		
Cash from fees and rental income	$ 3,938,948	$ 2,148,616
Cash from special project grants	59,940	179,097
Distributions received from equity investments	1,388,748	1,203,130
Loans and loan interest collected	36,308	261,172
Cash received from other sources	453,199	3,422,074
Payments received on conduit loans	-	(145,200)
Payments to employees, suppliers, and other	(2,822,451)	(2,680,573)
Payments for special project grants	(309,225)	(148,649)
Net operating activities	2,745,467	4,239,667
Capital and related financing activities:		
Purchases of capital assets	(68,284)	(14,038)
Investing activities:		
Use of restricted cash	(26,369)	(9,375)
Interest	14,709	10,151
Net investing activities	(11,660)	776
Net change in cash	2,665,523	4,226,405
Cash - beginning	13,180,692	8,954,287
Cash - ending	$ 15,846,215	$ 13,180,692
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	$ 2,420,755	$ 916,073
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	137,120	123,580
Loss on disposal of assets	1,074	2,396
Changes in other assets and liabilities:		
Receivables	127,273	3,303,540
Prepaid expenses	4,498	982
Other assets	122,567	114,012
Accounts payable	(42,562)	(58,401)
Accrued expenses	(25,258)	(17,315)
Conduit debt	-	(145,200)
Net operating activities	$ 2,745,467	$ 4,239,667

See accompanying notes.

1. Summary of Significant Accounting Policies:

Nature of Organization:

Erie County Industrial Development Agency (ECIDA) was created in 1970 by an act of the Legislature of the State of New York (the State) for the purpose of encouraging financially sound companies to establish themselves and prosper in Erie County (the County).

ECIDA has related party relationships with Buffalo and Erie County Industrial Land Development Corporation (ILDC) and Buffalo and Erie County Regional Development Corporation (RDC). All three entities are managed by the same personnel and RDC currently shares a common board with ECIDA. These entities share the same business objective which is the stimulation of the local economy through the funding of ventures which ultimately result in job creation, retention, and/or investment in the County.

Basis of Presentation:

The financial statements of ECIDA have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity:

In evaluating how to define ECIDA for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in ECIDA's reporting entity is based on accounting standards, which considers legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no additional entities included in ECIDA's financial statements.

Measurement Focus:

ECIDA reports as a special-purpose government engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. ECIDA's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

ECIDA's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made to purchase those goods or services. Certain other transactions are reported as nonoperating activities and include interest income.

Estimates:

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

Cash:

Cash management is governed by State laws and as established in ECIDA's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Policies permit management to use demand accounts and certificates of deposit for daily operating funds. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

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

Custodial credit risk is the risk that, in the event of a bank failure, ECIDA's deposits may not be returned to it. At December 31, 2015, ECIDA's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's agent in ECIDA's name.

Loans Receivable:

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

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

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

Capital Assets:

Operating:
Capital assets are recorded at cost. Depreciation is provided over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

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

	Capitalization policy	Estimated Useful life
Buildings and improvements	$ 1,000	5-40 years
Furniture and equipment	$ 1,000	3-10 years

Rental Property:
In 1989, ECIDA developed a public warehouse and trans-shipment facility (the Port Terminal Facility) at the Gateway Metroport facility in the City of Lackawanna. The Port Terminal Facility provides enclosed storage facilities and materials handling services for the trans-shipment of goods by water, rail and truck. The facility is owned by ECIDA and is operated by Gateway Trade Center, Inc. Rental property is recorded at cost which includes all costs incurred during the development stage, net of accumulated depreciation. Port Terminal Facility rental property assets are fully depreciated.

ECIDA also owns its former office space at 143 Genesee Street. This property is recorded at cost and leased to a third party (Note 8).

Other Assets:

Other assets include venture capital investments made by ECIDA in order to spur local economic growth. The Urban Development Action Grant (UDAG) Account includes an investment in a limited liability corporation which ECIDA accounts for using the equity method.

The General Account includes other venture capital investments that are recorded at the lesser of cost or fair market value.

Net Position:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by ECIDA.

Stock Warrants:

In connection with certain loans, ECIDA has received, at no cost, stock purchase warrants from the borrowers. The borrower is sometimes given the right to repurchase these warrants from ECIDA at a predetermined price. ECIDA also receives rights to convert certain loans to equity of the borrower.

Tax Incentive Transactions:

ECIDA maintains an economic development incentive program to provide sales, property, and/or mortgage recording tax benefits for qualified construction, renovation, or expansion projects or other economic development activities within Erie County. Under this program, ECIDA may take title to or a leasehold interest in the real and/or personal property involved in the project for the term of the incentive period. ECIDA simultaneously leases the property under a lease agreement to the company undertaking the project (lessee). ECIDA receives administrative fees from the lessee for providing these tax incentives which are recognized according to the terms of the fee agreement. The original value of the property leased by ECIDA under this program aggregated $581,243,000 and $226,961,000 in 2015 and 2014, respectively.

Tax-Exempt Bond Transactions:

ECIDA is an issuer of tax-exempt bond financing for qualified manufacturers and low-income housing projects. These bonds are obligations of the borrower. Since ECIDA has no obligation to repay the principal and interest of such bonds, they are not reflected as liabilities in the accompanying financial statements. ECIDA receives bond issuance fees from the borrower for providing this service. ECIDA also has a shared services agreement with ILDC under which administrative and staffing services are provided to ILDC in connection with its bond issuances in exchange for the related bond issuance fees received by ILDC. Such fees totaled $1,764,000 for the year ended December 31, 2015; no such transactions occurred in 2014. Bond issuance fees are recognized immediately upon issuance of the related bond. The original value of tax-exempt bonds issued by ECIDA for the year ended December 31, 2015 aggregated $195,040,000. There were no bonds issued during 2014.

Grants:

Grants are recognized at the time awarded, with timing differences resulting from funds spent and earned. ECIDA receives special project grants from various Federal, State and County governments. ECIDA also acts as a pass-through entity for certain companies who receive funding from the State, including the Department of Transportation (DOT). In certain cases, funding is received in the form of a combination of a grant and a loan. One year after completion of the specified program and with State approval and acceptance, companies begin repaying the loan. A long-term liability and repayment plan receivable are established as the companies receiving the funding from the State are contractually obligated to repay ECIDA for its debt service requirements to the State. The payment terms of the conduit receivables are equivalent to the terms of ECIDA's loans to the State.

2. Conduit Receivables and Conduit Debt:

ECIDA serves as a pass-through entity to provide local businesses with State funding. For disbursements through DOT, the local business is required to repay 40% of the amount to ECIDA, who in turn must repay DOT.

For Sonwil Distribution Center, DOT previously disbursed $469,119 to ECIDA for use in the construction of 1,900 linear feet of rail siding at a Sonwil warehouse and distribution facility. Terms require five annual payments commencing one year from the date the completed project is accepted by DOT; no interest is payable on the loan.

DOT has not yet accepted the project as complete. At December 31, 2015 and 2014, Sonwil owes ECIDA $187,648 which will in turn be remitted to the DOT. Aggregate maturities on conduit loan receivables and debt subsequent to December 31, 2015 are:

2016	$ 18,765
2017	37,530
2018	37,530
2019	37,530
2020	56,293
	$ 187,648

3. Loans Receivable:

Loans are made to local businesses to complement private financing at interest rates ranging from 4% to 9% with varying repayment terms. All loans are classified as commercial loans. Loans in non-accrual status are fully reserved. The following is a summary of the loans receivable:

	2015	2014
Current status	$ 538,712	$ 561,279
30-90 days past due	-	-
Non-accrual	150,000	300,000
	688,712	861,279
Less current portion	11,148	22,327
	677,564	838,952
Less allowance	650,000	650,000
	$ 27,564	$ 188,952

Following is a summary of the activity in the allowance for uncollectible loans during the years ended December 31, 2015 and 2014:

	2015	2014
Balance, beginning of year	$ 650,000	$ 670,000
Write-offs	-	(20,000)
	$ 650,000	$ 650,000

During 2013, ECIDA provided a $1,000,000 forgivable loan to a manufacturing company. Half of that amount was immediately forgiven and the other $500,000 shall be forgiven in $100,000 installments from 2019 through 2023 as long as the borrower maintains minimum employment requirements as set forth in the agreement. The portion not immediately forgiven is included in loans receivable and fully recognized in the allowance for uncollectible loans.

4. Funds Held on Behalf of Others:

ECIDA acts as a fiduciary for certain cash held for various development activities. ECIDA disburses these funds when given the appropriate authorization. The funds include:

	2015	2014
Erie County Regional Redevelopment Fund	$ 1,497,719	$ 2,265,378
Buffalo Brownfields Redevelopment Fund	2,307,680	1,692,276
Regionally Significant Project Funds:		
Buffalo Economic Renaissance Corporation	14,034	31,740
Buffalo Urban Development Corporation	85,008	63,457
Erie Niagara Regional Partnership	5,616	5,616
	$ 3,910,057	$ 4,058,467

Restricted cash also includes $221,440 and $195,071 as of December 31, 2015 and 2014, respectively for the Railway Trust Fund, for activities related to two Erie County shortline railroads.

5. Capital Assets:

	Balance January 1, 2015	Increases	Retirements/ Reclassifications	Balance December 31, 2015
Non-depreciable capital assets:				
Land	$ 167,400	$ -	$ -	$ 167,400
Depreciable capital assets:				
Land improvements	1,086,423	5,000	(625)	1,090,798
Buildings	2,734,937	-	-	2,734,937
Furniture and equipment	420,398	63,284	(36,966)	446,716
Total depreciable assets	4,241,758	68,284	(37,591)	4,272,451
Less accumulated depreciation:				
Land improvements	500,861	52,990	(334)	553,517
Buildings	1,774,999	35,206	-	1,810,205
Furniture and equipment	312,401	48,924	(36,183)	325,142
Total accumulated depreciation	2,588,261	137,120	(36,517)	2,688,864
Total depreciable assets, net	1,653,497	(68,836)	(1,074)	1,583,587
	$ 1,820,897	**$ (68,836)**	**$ (1,074)**	**$ 1,750,987**

	Balance January 1, 2014	Increases	Retirements/ Reclassifications	Balance December 31, 2014
Non-depreciable capital assets:				
Land	$ 167,400	$ -	$ -	$ 167,400
Depreciable capital assets:				
Land improvements	1,086,423	-	-	1,086,423
Buildings	2,734,937	-	-	2,734,937
Furniture and equipment	409,355	14,038	(2,995)	420,398
Total depreciable assets	4,230,715	14,038	(2,995)	4,241,758
Less accumulated depreciation:				
Land improvements	448,371	52,490	-	500,861
Buildings	1,739,793	35,206	-	1,774,999
Furniture and equipment	277,116	35,884	(599)	312,401
Total accumulated depreciation	2,465,280	123,580	(599)	2,588,261
Total depreciable assets, net	1,765,435	(109,542)	(2,396)	1,653,497
	$ 1,932,835	**$ (109,542)**	**$ (2,396)**	**$ 1,820,897**

6. Other Assets:

ECIDA owns 25 membership units (a 25% interest) in a limited liability corporation (the LLC), originally purchased for $500,000. ECIDA has declined a seat on the Board of Managers and does not participate in the operations or management decisions. There is a planned sale of the LLC business assets in 2016 that is expected to provide approximately $10,000,000 to ECIDA. ECIDA will then provide the purchaser with $1,000,000 payable over ten years dependent on job retention goals. ECIDA's ownership interest in the LLC at December 31, 2015 and 2014 is summarized in the following schedule:

	2015	2014
Balance, beginning of year	**$ 5,072,542**	$ 5,162,169
Earnings	**1,218,549**	1,161,135
Distributions	**(1,388,748)**	(1,250,762)
	$ 4,902,343	$ 5,072,542

ECIDA also owns investments in other local businesses valued at the lower of cost or fair market value amounting to $725,683 and $678,051 at December 31, 2015 and 2014.

7. Related Party Transactions:

Affiliate Management Fees:

ECIDA allocates a portion of personnel and rental costs to its affiliates, RDC and ILDC. ECIDA earned $353,137 and $329,668 in affiliate management fees for the years ended December 31, 2015 and 2014. Management fees and related receivables by affiliate are as follows:

	Management Fees		**Receivables**	
	2015	2014	**2015**	2014
RDC	**$ 352,692**	$ 328,728	**$ 313,327**	$ 300,095
ILDC	**445**	940	**445**	940
	$ 353,137	$ 329,668	**$ 313,772**	$ 301,035

For 2015, ILDC owes ECIDA an additional $27,417 for reimbursement of costs.

ECIDA also provides personnel to perform administrative and accounting functions on behalf of Buffalo Urban Development Corporation, which amounted to $38,637 and $35,856 for the years ended December 31, 2015 and 2014.

8. Operating Leases:

Office rent expense for the years ended December 31, 2015 and 2014 amounted to $146,551 and $142,243, respectively.

Future minimum rental payments, including flat annual utility charges, are:

2016	$ 146,337
2017	146,337
2018	109,753
	$ 402,427

ECIDA recognized $88,416 and $11,800 of rental income on its former office for the years ended December 31, 2015 and 2014. The net book value of the leased property is approximately $1,307,000 at December 31, 2015.

Future annual rental income anticipated under this noncancelable lease is:

2016	$ 199,875
2017	199,875
2018	204,039
2019	209,869
2020	209,869
Thereafter	332,292
	$ 1,355,819

9. Pension:

ECIDA maintains a defined contribution simplified employee pension (SEP) plan covering all of its employees. Employees are eligible to participate upon employment, with employer contributions vesting immediately. During 2015 and 2014, ECIDA made discretionary contributions of 12% and 7%, respectively, of eligible employees' salaries. ECIDA's expense for contributing to the plan for the years ended December 31, 2015 and 2014 amounted to $161,290 and $89,171, respectively. Employees are also permitted to participate in the New York State Deferred Compensation Plan but ECIDA does not make contributions to this plan.

10. Risk Management:

ECIDA purchases commercial insurance for various risks of loss due to torts, theft, damage, injuries to employees, and natural disasters in addition to insurance purchased to indemnify directors and officers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

11. Commitments and Contingencies:

Grants:

ECIDA receives financial assistance from federal, state, and local agencies in the form of grants and fiduciary agreements. Managing these funds generally requires compliance with the terms and conditions specified in the agreements and may be subject to audit by the grantor agencies. Disallowed claims resulting from such audits could become a liability of ECIDA. Based on prior experience, management expects any such amounts to be immaterial.

Litigation:

ECIDA is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims and lawsuits will not have a material adverse effect upon the financial position of ECIDA.

Supplementary Information
Schedule of Balance Sheets

December 31, 2015

	General Account	UDAG Account	Total
Assets			
Current assets:			
Cash	$ 10,275,406	$ 5,570,809	$ 15,846,215
Receivables			
Current portion of conduit loans	18,765	-	18,765
Current portion of loans	-	11,148	11,148
Affiliates	341,189	-	341,189
Other	45,620	-	45,620
Prepaid expenses	22,088	-	22,088
	10,703,068	5,581,957	16,285,025
Noncurrent assets:			
Conduit loans receivable	168,883	-	168,883
Loans receivable, net	-	27,564	27,564
Capital assets, net	1,750,987	-	1,750,987
Other assets	118,451	5,509,575	5,628,026
Restricted cash	4,131,497	-	4,131,497
	6,169,818	5,537,139	11,706,957
	$ 16,872,886	$ 11,119,096	$ 27,991,982
Liabilities and Net Position			
Current liabilities:			
Accounts payable	$ 124,422	$ 18,616	$ 143,038
Accrued expenses	132,487	-	132,487
Current portion of conduit debt	18,765	-	18,765
	275,674	18,616	294,290
Noncurrent liabilities:			
Conduit debt	168,883	-	168,883
Funds held on behalf of others	3,910,057	-	3,910,057
	4,078,940	-	4,078,940
Net position:			
Net investment in capital assets	1,750,987	-	1,750,987
Restricted	-	11,100,480	11,100,480
Unrestricted	10,767,285	-	10,767,285
	12,518,272	11,100,480	23,618,752
	$ 16,872,886	$ 11,119,096	$ 27,991,982

Supplementary Information
Schedule of Revenues, Expenses, and Changes in Net Position

For the year ended December 31, 2015

	General Account	UDAG Account	Total
Operating revenues:			
Administrative fees	$ 3,756,732	$ -	$ 3,756,732
Investment income	-	1,218,549	1,218,549
Affiliate management fees	353,137	-	353,137
Rental income	182,216	-	182,216
Loan interest	-	13,741	13,741
Other	66,444	-	66,444
Total operating revenues	4,358,529	1,232,290	5,590,819
Operating expenses:			
Salaries and benefits	1,855,769	-	1,855,769
General and administrative	826,736	72,506	899,242
Depreciation	137,120	-	137,120
Other	5,192	-	5,192
Total operating expenses	2,824,817	72,506	2,897,323
Operating income before special project grants	1,533,712	1,159,784	2,693,496
Special project grants:			
Revenue	36,484	-	36,484
Expenses	(9,225)	(300,000)	(309,225)
	27,259	(300,000)	(272,741)
Operating income	1,560,971	859,784	2,420,755
Nonoperating revenues:			
Interest	9,768	4,941	14,709
Change in net position	1,570,739	864,725	2,435,464
Net position - beginning	10,947,533	10,235,755	21,183,288
Net position - ending	$ 12,518,272	$ 11,100,480	$ 23,618,752

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

The Board of Directors
Erie County Industrial Development Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Erie County Industrial Development Agency (ECIDA), a business-type activity, which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2016.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Lumsden & McCormick, LLP

March 18, 2016

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

The Board of Directors
Erie County Industrial Development Agency

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Erie County Industrial Development Agency (ECIDA), a business-type activity, which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated March 18, 2016.

In connection with our audit, nothing came to our attention that caused us to believe that ECIDA failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2015. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding ECIDA's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

Lumsden & McCormick, LLP

March 18, 2016