NIAGARA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2011

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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December 31, 2011

Lumsden & McCormick, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara County Industrial Development Agency

We have audited the accompanying financial statements of Niagara County Industrial Development Agency (the Agency), a business-type activity, and its discretely presented component unit as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency and its discretely presented component unit as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated March 28, 2012, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis preceding the financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lumsden & McCormick, LLP

March 28, 2012

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY AND ITS COMPONENT UNITS, NIAGARA AREA DEVELOPMENT CORPORATION AND NIAGARA COUNTY DEVELOPMENT CORPORATION

2011 Management's Discussion and Analysis (UNAUDITED)

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I. HISTORY OF AGENCY & COMPONENT UNITS

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

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

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

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

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

The Corporation had not engaged in financial activities from the date of its incorporation, March 27, 1984, until November 21, 1991, when certain assets were transferred to the Corporation by the NCIDA. In accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended by GASB Statement No. 39, the NCDC is considered a component unit of the NCIDA. In addition, the NCDC is considered as part of the NCIDA for the Single Audit Act Amendments of 1996. The NCDC also has separate audited financial statements for the year ended December 31, 2011 that express an unqualified opinion.

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

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

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

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

Niagara Area Development Corporation ("NADC"), a local development corporation, was organized on September 12, 2011 to undertake and promote economic development initiatives in the Niagara County, New York area.

The NADC is empowered to issue industrial revenue bonds for the benefit of not-for-profits. The bonds are not obligations of the NADC nor New York State. The NADC does not record the assets nor liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange financing between the borrowing companies and the bond holders. Funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the NADC receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds.

In accordance with Governmental Accounting Standards Board Statement No. 14, *"The Financial Reporting Entity"* (as amended by GASB Statement 39), the Corporation is considered a blended component unit of Niagara County Industrial Development Agency (NCIDA). Please see Exhibit I for the NCIDA's Corporate Chart.

The Corporation has entered into an administrative agreement with NCIDA which requires that all fees and interest earnings generated by the Corporation be remitted to NCIDA. Fees and interest earned for the period from inception through December 31, 2011 totaled $71,559.

As management of the NCIDA and its component units, the NADC and NCDC, we offer the readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the year ending December 31, 2011. We encourage readers to consider the information presented here in conjunction with the Agency's audited financial statements.

Overview of the Financial Statements

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

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

II. UNAUDITED COMPARATIVE ANALYSIS OF HISTORICAL FINANCIAL STATEMENTS

Attached, as Exhibit II, is an unaudited, condensed, comparative financial statement analysis for the NCIDA based on the audited financial statements for the years ended 2008, 2009, 2010 and 2011, inclusive of the Agency's discretely presented component unit the NCDC and the blended component unit the NADC.

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

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

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

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

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

During 2010, the Agency adopted Government Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments (GASB 53).* GASB 53 addresses information disclosure regarding derivative instruments used in reducing exposures to financial risks. The changes in fair market values of hedging derivatives are reported as either *deferred inflow or outflows* in the statement of net assets. Please see note 6 to the financial statements for further detail.

Comparatively over the last three reporting periods there have been two periods of positive gross cash flow as well as operating cash flow. Operating cash flow is calculated by adjusting for depreciation and amortization, which do not result in outflows of cash. Positive gross cash flows of $141,000 and $229,000 were reported in 2010 and 2011, respectively; as well as a negative gross cash flow of $219,000 in 2009, as reported on the Cash Flow Statement in Exhibit II.

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

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

III. A REVIEW OF IRB PROJECTS AND LOAN PORTFOLIO TRANSACTIONS

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

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

Since 2004, each year, we have conducted several business workshops in the towns, villages and cities of Niagara County. Staff of the Center for Economic Development, Niagara County Community College Small Business Development Center, Niagara County Department of Employment and Training, and Empire State Development outline the incentives available to help Niagara businesses grow and strengthen their bottom line. In 2011, these workshops were held in the Towns of Pendleton, Hartland, Porter and Niagara.

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

The NCCED has been administering the Niagara County Business Growth and Retention Program since 2000. The mission of the program is to contact all Niagara County companies in a proactive manner, providing potential company assistance in their efforts to invest in their facilities and retain and create jobs. Program goals include (1) contacting a minimum of 50 companies annually and meeting with as many of those companies as possible and (2) retaining the existing Niagara County jobs base while promoting local expansion and job creation. During 2011, our retention team contacted 55 companies. 48 meetings and/or conference calls were conducted with 36 different companies, giving us a 65% "through the door" success rate.

2011 was also a successful "retention" year with regards to projects initiated. Among those projects are Frank's Vacuum Truck Service, Olin Corporation and Norampac's Greenpac Mill, all of Niagara Falls, and Taylor Devices of North Tonawanda. These projects will result in the retention of 450 jobs and the creation of 154 new jobs.

The Niagara County Retention Team was also involved with another key project in 2011, Edwards Vacuum, Inc. An allocation of low-cost power from Niagara County's Empower Niagara Program was one of the factors that led Edwards to build a new facility in Niagara County and relocate their corporate headquarters here. This project will retain 100 jobs and create another 25 jobs within the next three years.

In addition, the Agency's and NADC's Industrial Revenue Bond ("IRB") Programs closed thirteen (13) projects from 2011 inclusive of other projects outstanding from prior periods representing $445,640,030 in new capital investments in Niagara County as compared to eleven (11) projects in the prior period representing $39,398,000 in capital investments. There are thirteen (13) projects outstanding from 2011 and prior periods representing an additional $41,078,000 in total project costs. There has been an increase in projects as a result of the domestic and global economic recovery. Please see Exhibit III for detail of the 2011 projects.

The NCDC has six (6) Revolving Loan Funds ("RLFs") inclusive of the Niagara Economic Development Fund ("NEDF") loan portfolio, which it administers for the fund trustee, the NCIDA. The NEDF is a business trust, thereby a separate business entity from the NCIDA and its component units, NADC and NCDC, with an independent board, and is subject to an independent audit.

Separate revolving loan fund accounts were established to segregate the initial funding source. Four (4) of the accounts were established through federal grants from the Economic Development Administration and the Department of Housing and Urban Development.

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

The NEDF was organized in July 1990 under Sections 1001 and 1005 of the Power Authority Act as a local development loan program in order to improve the area's economic climate. The NEDF is organized as a business trust with an independent Board of Directors whose membership consists of representatives of the Empire State Development Corporation ("ESDC"), the Power Authority of the State of New York ("NYPA"), the City of Niagara Falls, and the NCIDA.

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

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

For 2011, the NCDC's **revolving loan activities,** inclusive of the NEDF, was a total of six (6) loans processed, the same as in 2010 of which four (4) closed, one (1) expired and one (1) remains outstanding. The amount of loans processed was $497,000 in 2011, a decrease in the loan amount of $766,000 in 2010. The average loan amount processed was $83,000, down from $109,500 in 2010 a result of a slow economic recovery from the "great recession" and the global economic downturn of 2008.

The NCDC and NEDF aggregate cash balances total approximately $7,312,000 with aggregated outstanding loan balances of $3,500,000 (net of allowance for bad debt) representing 67 credit facilities (loans). The aggregate total net assets of the loan portfolio are $10,897,000. The total number of loans (credit facilities) of 67 in 2011 are down by 9 facilities from 2010 (76) due to maturities and charge offs. Loan demand in 2011 decreased over that of 2010 as the present slow economic recovery has resulted in a credit environment that has constricted capital and equity markets.

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

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

IV. BUDGETARY ANALYSIS – NCIDA OPERATING FUND

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

For 2011 the NCIDA Operating Budget Variance Report had an operating revenues overage of $11,467 or 1.14% over the budgeted operating revenue total of $1,004,090. This was due to increased IRB Administration Fees, as well as IRB Application Processing Fees. On the operating expense side the variance was an overage of $19,465 or 2.07%. Increases were in legal services due to increased litigation matters and public relations, although salaries, benefits and retirement benefits decreased noticeably.

Actual Net Operating Income (NOI) for Fiscal 2011 was $57,330 verses Budgeted NOI of $65,328, a variance of just less than $8,000. Adding back depreciation (a non-cash expense item) of $21,974 results in over $79,000 cash flow for the Fiscal period, which is an increase of $13,672 over the Budgeted NOI of $65,328.

Anticipated project income for 2012, based on 14 projects in process, representing approximately $41,078,000 in capital projects with anticipated revenues estimated to be $591,000. A majority of the 14 projects are back logged from 2011 which were unable to close due to the economy and a timing difference in permanent project financing.

The attached Budget Variance Report (Exhibit IV) as of December 31, 2011 reports an acceptable overall variance evidencing a reasonable budget that provides integrity in the numbers, as well as prudent fiscal responsibility relative to the computation of the annual budget.

V. CAPITAL ASSETS AND LONG-TERM DEBT

MULTI-TENANT FACILITIES

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

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

In December 1997, the Agency received loans of $700,000 and $250,000 from the NYJDA and the NEDF, a related party as explained in Note 9 to the financial statements. The land, buildings, and improvements of the Multi-Tenant Facility located at 2055 Niagara Falls Boulevard, Town of Wheatfield, New York secure the loans. The mortgage notes payable are fifteen (15) year notes. The interest rate on the $700,000 note is 9.4%. The rate of interest on the $250,000 note is 5.5%. Amounts outstanding under these loans total $88,855 to NYJDA and $25,668 to NEDF as of December 31, 2011.

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

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

The building was placed in service as of December 31, 2001, although certain areas were temporarily occupied previous to that date. Please see note 5 to the financial statements for further detail.

LOAN PAYABLE, NIAGARA COUNTY DEVELOPMENT CORPORATION

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

In 1996, the NCDC loaned the NCIDA $145,000 for capital requirements of the Multi-Tenant Facility. Interest on this loan is calculated at the investment return experienced by the IDA Revolving Loan Fund.

During prior years, accrued interest was added to the loan balance, but remained unpaid. Also in 1996, the NCDC loaned the NCIDA $6,900 to be used to fund a storage room for the Resource Center.

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

During 2003, the NCIDA borrowed $150,000 from the NCDC to complete a build-out in the Vantage Centre for a tenant-occupied space. The loan was interest free during the construction period. At the end of the construction period, the note bears an interest rate of 5% and is to be repaid in forty (40) quarterly payments. The NCIDA also borrowed $20,000 from the NCDC to finance facility infrastructure needs at the Vantage Center. The Promissory Note has a five (5) year term and carries a 5% annual interest rate. Amounts owed NCDC under these borrowings as of December 31, 2011 total $242,616.

VANTAGE CENTER MULTI-TENANT FACILITY TAX EXEMPT IRB

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

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

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

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

Amounts outstanding under this loan total $604,906 at December 31, 2011.

MORTGAGE

During 2003, the temporary construction loan was replaced by a mortgage with the New York State Job Development Authority in the amount of $950,000. The loan has a twenty (20) year term with a fixed interest rate of 8.18% per annum. The Note is secured by any and all buildings, structures, and improvements at 6311 Inducon Corporate Drive. This Note is subordinate to the lien to Bank of America in an amount not in excess of $950,000. NCIDA paid off this loan in September 2011.

LOAN PAYABLE, STATE DEPARTMENT OF TRANSPORTATION

In 2011 the NCIDA entered into an agreement with the State Department of Transportation and a third party as part of the State Industrial Access Program. This award consisted of a grant portion and a loan portion. The loan of $186,000, to be paid back over five years, is non-interest bearing. NCIDA serves as a pass-through entity, collecting amounts owed from the third party and submitting them to the State. Amounts outstanding under this loan and receivable from the third party total $167,400 at December 31, 2011.

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

The Agency's real estate development objective for 2012 is the sale of the remaining 56 acres in Vantage International Pointe Park. The Agency is marketing the remaining 56 acres through a realtor and as part of the Canadian Marketing Program (See Exhibit VI).

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

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

For the past several years, NCCED has been building a marketing and development campaign with particular emphasis on attracting Canadian companies to establish branch operations in Niagara County. However, at the end of December of 2010 the Agency's Assistant Director retired resulting in a staff re-alignment of the Marketing and Project Manager to the Director of Project Development resulting in a full time effort for project development of revenue producing activities.

By the fourth quarter of fiscal 2011 there was a Director of Marketing added to Agency Staff that would create and implement a marketing plan that would be inclusive of the restarting of the Canadian marketing and economic development program.

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

Additionally, the Niagara County Legislature organized and incorporated the NADC, a local development corporation, in September 2011 to undertake and promote economic development initiatives in Niagara County through the issuance of industrial revenue bonds for non-profits. The Legislature appointed the NCIDA Board as the NADC Board and there was a Management and Administrative Fee Agreement entered into between the County of Niagara and the NCIDA. The first project was the refinancing of the Niagara Falls Memorial Medical Center's tax exempt bonds in November 2011 (see Exhibit III).

Sincerely,

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Henry M. Sloma, Chairperson
Samuel M. Ferraro, Executive Director/Treasurer

NCIDA, NCDC AND NADC CORPORATE STRUCTURE
EXHIBIT I

Limited Partnership (NIIA)
1. NFTA
2. NCIDA
3. Private Investors

Joint Venture (NEDF)
1. NY Power Authority (NYPA)
2. City of Niagara Falls
3. Empire State Development Corp.
4. NCIDA

PRIMARY GOVERNMENT

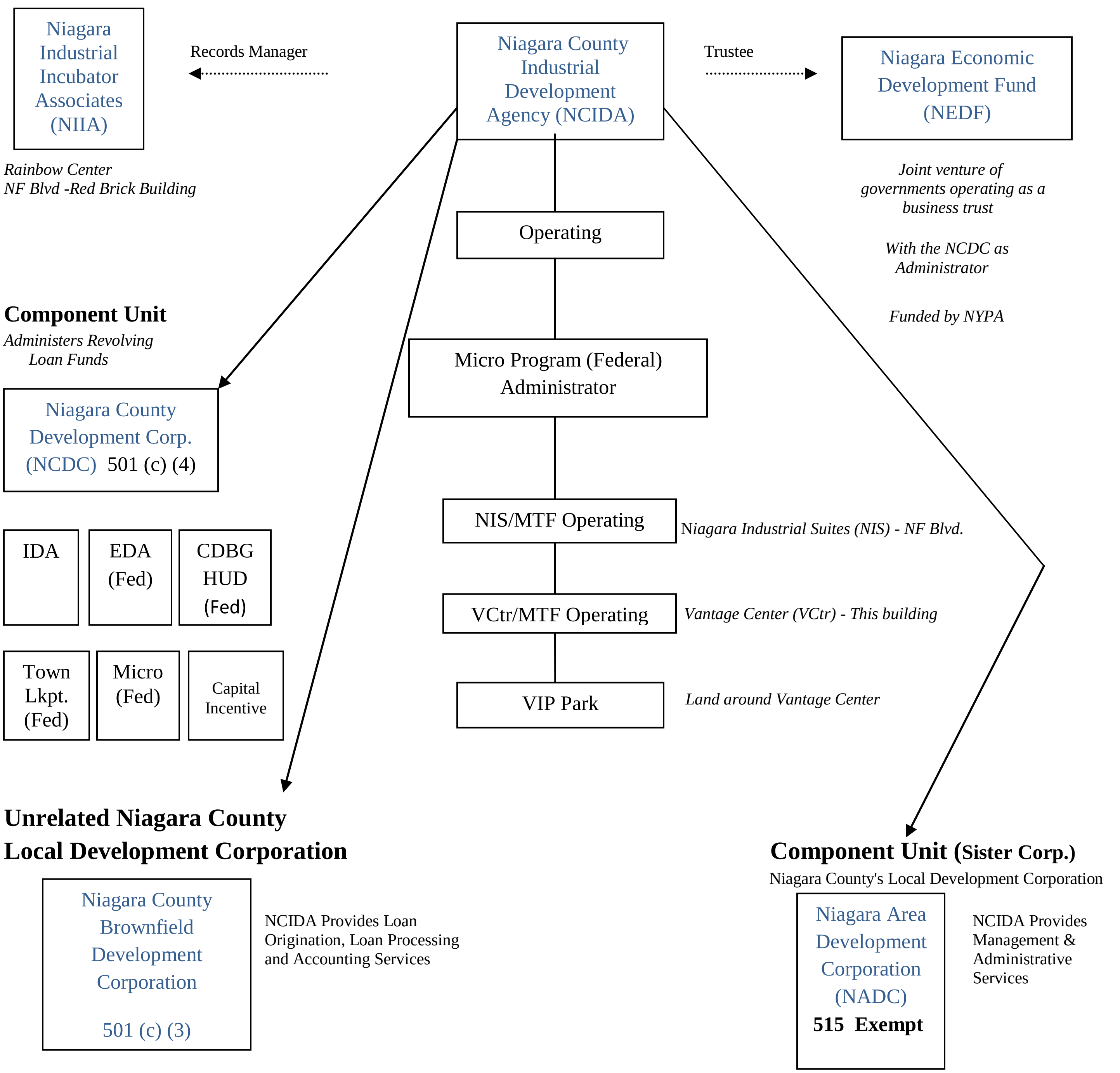


EXHIBIT II

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

and its Component Units the Niagara Area Development Corporation and Niagara County Development Corporation

HISTORICAL FINANCIAL STATEMENT ANALYSIS (Unaudited)

I. BALANCE SHEET

	Compiled/Reviewed/Audited	Audited	Audited	Audited	Audited	Statement
	Period Ending	12/31/08	12/31/09	12/31/10	12/31/11	Notes
	ASSETS	000's	000's	000's	000's	S
1	Cash - Unrestricted	$ 5,424	$ 5,138	$ 4,918	$ 4,224	E
2	Accounts Receivable	49	34	79	250	E
3						
4	Prepaid Expenses	50	52	49	53	F
5	Loans Receivable	386	299	302	307	O
6	State & Federal Aid receivable	-	-	-	-	O
7	Cash - Restricted	145	156	167	174	T
8	CURRENT ASSETS	6,054	5,679	5,515	5,008	N
9	Net Fixed Assets - Property & Equipment	5,457	5,244	5,103	4,916	O
10	Long Term Receivables	-	-	-	-	T
11	Investments - Affiliate Organizations	30	30	30	30	E
12	Intangibles-Deferred Loan costs	45	41	37	16	S
13	Non-Current Loans Receivable	1,002	1,020	1,192	1,360	
14						T
15	**TOTAL ASSETS**	$ 12,588	$ 12,014	$ 11,877	$ 11,330	O

LIABILITIES & NET WORTH

16	Note Payable - Bank Line	$ -	$ -	$ -	$ -	A
17	Note Payable - Bank (Bldg Loan)	-	-	-	-	U
18	Accounts Payable & Other Governments	121	170	171	407	D
19	Accrued Expenses	-	-	-	-	I
20	Other Payables-Grant & Due Other Gov'ts	40	222	99	37	T
21	Current Portion - LTD Due Others	132	145	155	167	
22	Loan Payable - NCDC	20	21	22	24	R
23	Security Deposits Payable	22	23	24	21	E
24	Deferred Revenue	182	145	161	132	P
25	CURRENT LIABILITIES	517	726	632	788	O
26	Long Term Debt-Due Others	1,706	1,561	1,406	694	R
27	Subordinated Debt	-	-	-	-	T
28	Loans Payable -NCDC	69	48	26	2	
29	Deferred outflow on interest rate swap	-	139	151	170	A
30	**TOTAL LIABILITIES**	2,292	2,474	2,215	1,654	T
31	Invested Capital Assets (Net of Debt)	3,616	3,501	3,466	4,085	T
32	Retained Earnings Reserved	-	-	-	-	A
33	Unrestricted Funds	6,680	6,039	6,196	5,591	C
34	Restricted Funds	-	-	-	-	H
35	**TOTAL NET Assets**	$ 10,296	$ 9,540	$ 9,662	$ 9,676	E
36	**TOTAL LIABILITIES & NET ASSETS**	$ 12,588	$ 12,014	$ 11,877	$ 11,330	D
37	Contingent Liabilities	-	-	-	-	
38	Yes-Changed Accountants.	N/C	N/C	N/C	N/C	

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

II. PROFIT & LOSS STATEMENT

# of months	12	%	12	%	12	%	12	%
Period Ending (000's)	12/31/08		12/31/09		12/31/10		12/31/11	
39 Operating Revenues+Admin. Fees	$1,755		$1,038		$1,528		$1,569	
40 COGS	-	0%	-	0%	-	0%	-	0%
41 Gross Profit	$1,755	100%	$1,038	100%	$1,528	100%	$1,569	100%
42 Contract+Prov. Uncoll.+Prog. Related Exp.	519	30%	290	28%	362	24%	307	20%
43 Profit Before Operating Expense	$1,236	70%	$748	72%	$1,166	76%	$1,262	80%
44 Employee Salary & Benefits	574	33%	593	57%	658	43%	631	40%
45 Depr. & Amort. Exp.	218	12%	217	21%	218	14%	239	15%
46 Interest Expense	146	8%	140	13%	129	8%	137	9%
47 Rent (Common Area)	235	13%	234	23%	238	16%	265	17%
48 Operating Profit / (Loss)	63	4%	(436)	-42%	(77)	-5%	(10)	-1%
49 Non-Operating Revenue	$2,885		$140		$104		$584	
50 Non-Operating Expenses (Net Benefit)	4,538		357		(152)		524	
51 Net Income / (Loss)	($1,590)	-34%	($653)	-55%	$179	11%	$50	2%

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

52 Days Receivable	10	12	19	57
53 Days Inventory				
54 Days Payable				
55 Days Accrual				
56 Operating Cycle				

IV. RATIO ANALYSIS

57 Sales Growth Ratio		-41%	47%	3%
58 Working Capital	$5,537	$4,953	$4,883	$4,220
59 Current Ratio	11.71	7.82	8.73	6.36
60 Quick Ratio	10.59	7.12	7.91	5.68
61 Debt/Equity Ratio	0.22	0.26	0.23	0.17

V. CAPITAL EXPENDITURES

62 Ending Net Fixed Assets	$5,244	$5,103	$4,916
63 Depreciation	$217	$218	$239
64 Beginning Net Fixed Assets	$5,457	$5,244	$5,103
65 Net Capital Expenditures	$4	$77	$52

VI. RECONCILIATION OF NET WORTH

66 Ending Net Worth	$9,540	$9,662	$9,676
67 Operating Profit / (Loss)	($436)	($77)	($10)
68 Beginning Net Worth	$10,296	$9,540	$9,662
69 New Equity (Distributions)	($320)	$199	$24

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

VII. CASH FLOW STATEMENT (000's)

	12/31/09	12/31/10	12/31/11
70 Operating Profit / (Loss)	$ (436)	$ (77)	$ (10)
71 Depr. & Amort	$ 217	$ 218	$ 239
71 Gross Funds Flow	$ (219)	$ 141	$ 229

OPERATING USES	12/31/09	12/31/10	12/31/11	OPERATING SOURCES	12/31/09	12/31/10	12/31/11
73a Incr. Receivables	$ -	$ 45	$ 171	73b Decr. Receivables	$ 15	$ -	$ -
74a Incr. Inventory	$ -	$ -	$ -	74b Decr. Inventory	$ -	$ -	$ -
75a Decr Payables	$ -	$ -	$ -	75b Incr. Payable	$ 49	$ 1	$ 236
76a Decr Accruals	$ -	$ -	$ -	76b Incr. Accruals	$ -	$ -	$ -
77a Opperating Uses	$ -	$ 45	$ 171	77b Operating Sources	$ 64	$ 1	$ 236

	12/31/09	12/31/10	12/31/11
77a Opr. Uses	$ -	$ 45	$ 171
77b Opr. Sources	$ 64	$ 1	$ 236
78 Opr. Cash Flow	$ (155)	$ 97	$ 294

NON-OPR. USES	12/31/09	12/31/10	12/31/11	NON-OPR. SOURCES	12/31/09	12/31/10	12/31/11
79a Make Capital Exp	$ 4	$ 77	$ 52	79b Sell Fixed Assets	$ -	$ -	$ -
80a Buy Other Assets	$ 14	$ 168	$ 147	80b Sell Other Assets	$ -	$ -	$ -
81a Incr. Other C/A	$ -	$ 11	$ 16	81b Decr. Other C/A	$ 74	$ -	$ -
82a Repay N/P Bank	$ -	$ -	$ -	82b Borrow N/P Bank	$ -	$ -	$ -
83a Repay N/P Other	$ -	$ -	$ -	83b Borrow N/P Other	$ -	$ -	$ -
84a Repay LTD	$ 132	$ 145	$ 700	84b Borrow LTD	$ -	$ -	$ -
85a Repay Sub. Off Dt	$ -	$ -	$ -	85b Incr. Sub. Off. Debt	$ -	$ -	$ -
86a Distrib. to Owner	$ 320	$ -	$ -	86b Invest New Equity	$ -	$ 199	$ 24
87a Incr. Notes/Rec	$ -	$ -	$ -	87b Decr. Notes/Rec.	$ -	$ -	$ -
88a Decr. Taxes/Pay	$ -	$ 123	$ 62	88b Incr. Taxes/Payable	$ 182	$ -	$ -
89a Decr. Other Liab.	$ -	$ -	$ 35	89b Incr. Other Liab.	$ 83	$ 8	$ -
90a Non-Opr. Uses	$ 470	$ 524	$ 1,012	90b Non-Opr. Sources	$ 339	$ 207	$ 24

	12/31/09	12/31/10	12/31/11
90a Non-Opr. Uses	$ 470	$ 524	$ 1,012
90b Non-Opr. Sources	$ 339	$ 207	$ 24
91 **NET CASH FLOW**	**$ (286)**	**$ (220)**	**$ (694)**

EXHIBIT III

Niagara County Industrial Development Agency and its Component Units the NCDC & NADC

2011 Industrial Revenue Bond and Leaseback Projects

Company	Project Description	Location	Amount of NCIDA Project	Number of Jobs Retained	Created*
WNY Urology Associates	Construction of Medical Facility	Cambria	$11,378,000	0	26
638 Lake Street	Brewery	Wilson	$693,000	0	23
DRC Development	Manufacturing Facility	Wheatfield	$3,300,000	0	0
Edwards Vacuum	Manufacturing Facility	Wheatfield	$3,000,000	100	25
Frederick Piwko	Dr. Office	Newfane	$450,000	5	2
DoJo (Wheatfield Pediatrics)	Dr. Office	Wheatfield	$623,360	18	5
Greenpac Mill	Paper Mill	Niagara Falls	$407,500,000	0	110
160 East Avenue	Ambulatory Surgery Center	Lockport	$860,000	0	15
Shipman Properties	Renovation of Facility for Commercial Printer	Wheatfield	$765,000	29	2
HT Productions	Manufacture/Warehousing Of Corrugated Goods	Lewiston	$410,000	0	12
GLDC (57 Canal St.)	Renovation of Building for Trek Manufacturing	Lockport	$482,570	0	22
Brown Electric, Inc.	Construction of New Facility For Electrical Contractor	Pendleton	$378,100	0	10
Niagara Falls Memorial Medical Center	Tax Exempt Bond Refinancing	Niagara Falls	$15,800,000	752	61

2011 Microenterprise Assistance Program Loans

Company/Proprietor	Location/Type of Business	Amount of Loan	# of Jobs Retained	Created*
Darox, Inc.	Town of Newfane Bar & Grill	$25,000	3	5
Daycares of WNY, Inc.	North Tonawanda Daycare	$25,000	15	0
Grand Niagara Machine, Inc.	Sanborn Machine Shop	$65,000	3	3

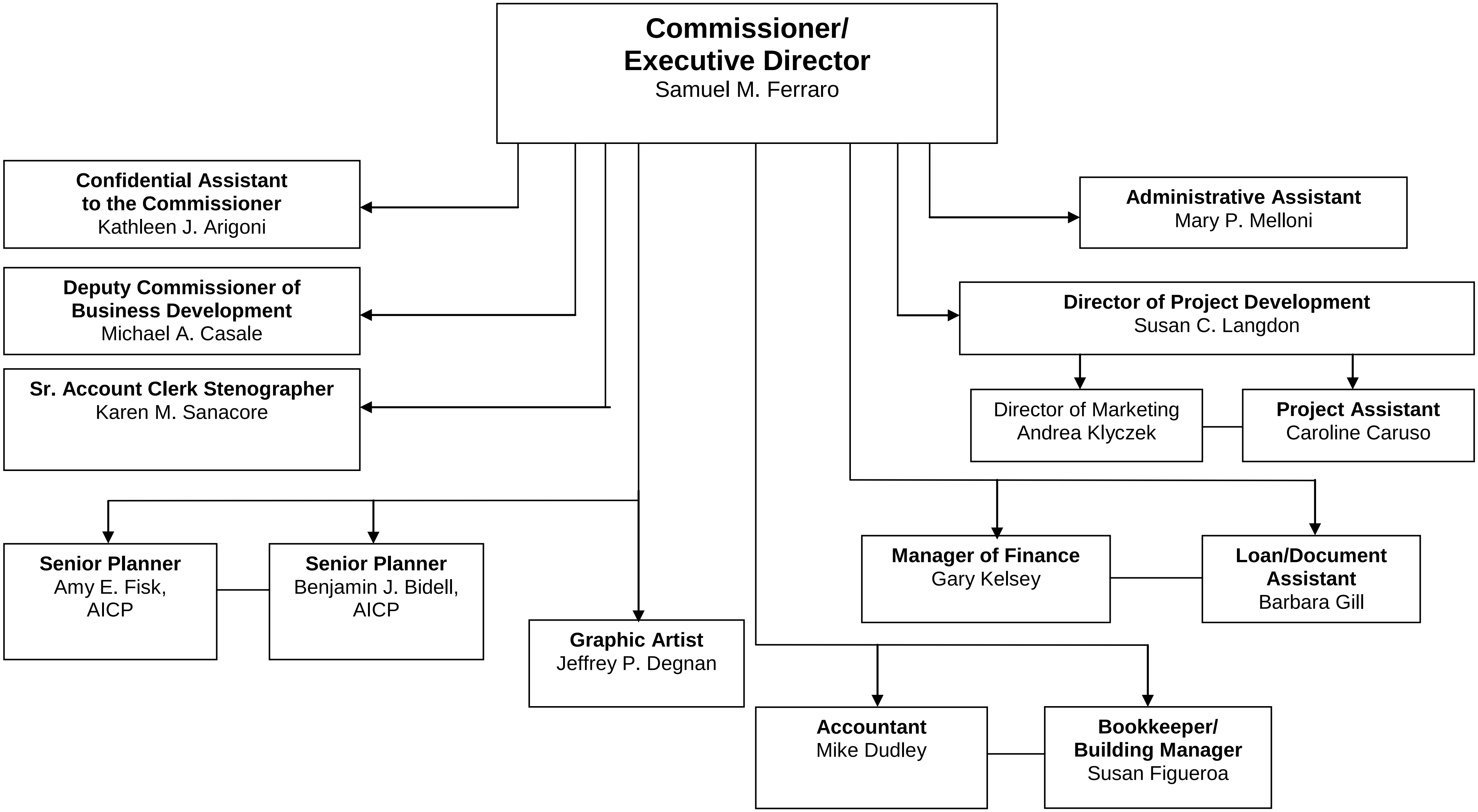
2011 Revolving Loan Fund Projects

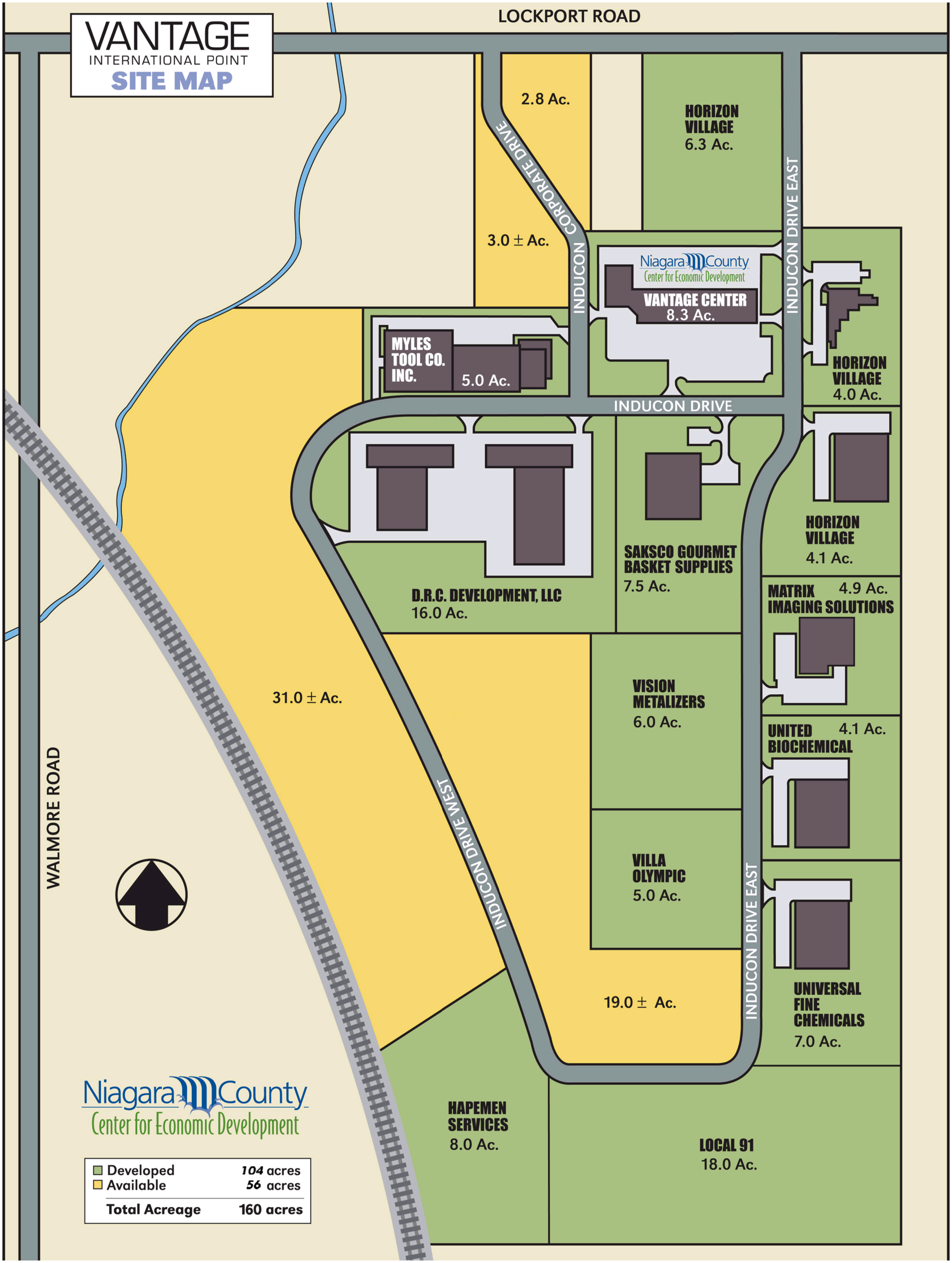
Company	Location/ Type of Business	Amount of Loan	# of Jobs at Facility Retained	Created*
Modern-Tec Manufacturing, Inc.	Town of Cambria	$250,000	7	8

EXHIBIT IV
NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY
BUDGET VARIANCE REPORT AS OF December 31, 2011

	Year To Date Actual	Year To Date Budget	Year To Date Variance
Operating Revenues			
Fees Earned - IRB's	$ 764,790.14	$ 752,830.00	(11,960.14)
Application Proc. Fees - IRB's	18,000.00	12,000.00	(6,000.00)
NCDC RLF Administrative Fees	43,300.00	43,300.00	0.00
NEDF RLF Administrative Fee	50,000.00	50,000.00	0.00
Microenterprise Admin Fees	9,600.00	9,600.00	0.00
Administratve Fees - Other	22,314.72	16,585.00	(5,729.72)
Interest Earnings	2,470.38	3,888.00	1,417.62
Training Room Income	2,425.00	0.00	(2,425.00)
Miscellaneous Income	32,998.47	27,387.00	(5,611.47)
Distrib From Niag. Ind. Suites	36,158.00	55,000.00	18,842.00
Distributions From Affiliates	33,500.00	33,500.00	0.00
Total Operating Revenues	1,015,556.71	1,004,090.00	(11,466.71)
Operating Expenses			
Salaries	358,556.20	383,059.00	24,502.80
Benefits	112,786.90	127,994.00	15,207.10
Retirement Benefits	59,141.00	77,770.00	18,629.00
Payroll Taxes	27,444.94	29,304.00	1,859.06
Unemployment Taxes	1,190.02	1,224.00	33.98
Consultants	1,425.60	0.00	(1,425.60)
Executive Director	70,160.08	70,160.00	(0.08)
Legal and Accounting Services	78,834.86	63,000.00	(15,834.86)
Legal Services - NADC	81.24	0.00	(81.24)
Marketing	8,526.00	2,500.00	(6,026.00)
Public Relations	28,086.83	0.00	(28,086.83)
Printing	1,105.05	1,400.00	294.95
Office Supplies	4,312.41	5,500.00	1,187.59
Postage	3,501.11	4,062.00	560.89
Telephone & Fax	2,079.48	2,376.00	296.52
Internet Service	8,609.02	7,404.00	(1,205.02)
Office Rent	84,161.77	77,002.00	(7,159.77)
Common Area Charges	8,740.86	9,354.00	613.14
Energy	20,636.31	22,102.00	1,465.69
Conference & Travel	3,343.11	2,500.00	(843.11)
Employee Training	2,075.00	0.00	(2,075.00)
Depreciation Expense	21,974.00	0.00	(21,974.00)
Insurance Expense	18,365.04	20,486.00	2,120.96
Library & Membership	1,365.77	1,477.00	111.23
General Office	11,487.27	11,004.00	(483.27)
Repairs & Maintenance	11,753.31	12,884.00	1,130.69
Computer Support	7,171.54	5,000.00	(2,171.54)
Public Hearings	181.64	200.00	18.36
Other Expense	724.20	1,000.00	275.80
Bad Debts	406.46	0.00	(406.46)
Total Operating Expenses	958,227.02	938,762.00	(19,465.02)
Net Operating Income/<Loss>	57,329.69	65,328.00	7,998.31
Nonoperating Revenue (Expense)			
Grants	307,086.83	0.00	(307,086.83)
Grant - DASNY	232,279.24	0.00	(232,279.24)
Grant - Business Dev. Program	11,838.67	20,000.00	8,161.33
Grant to Subrecipient	(511,279.24)	0.00	511,279.24
Business Development Program	(11,838.67)	(20,000.00)	(8,161.33)
Net Nonoperating Income/<Loss>	28,086.83	0.00	(28,086.83)
Total Net Income	$ 85,416.52	$ 65,328.00	(20,088.52)

Exhibit V
Niagara County Center for Economic Development
2012 Organizational Chart




VANTAGE
INTERNATIONAL POINT
SITE MAP
LOCKPORT ROAD
WALMORE ROAD
CORPORATE DRIVE
INDUCON
INDUCON DRIVE
INDUCON DRIVE EAST
INDUCON DRIVE WEST
2.8 Ac.
3.0 ± Ac.
HORIZON VILLAGE
6.3 Ac.
Niagara County
Center for Economic Development
VANTAGE CENTER
8.3 Ac.
MYLES TOOL CO. INC.
5.0 Ac.
HORIZON VILLAGE
4.0 Ac.
HORIZON VILLAGE
4.1 Ac.
SAKSCO GOURMET BASKET SUPPLIES
7.5 Ac.
D.R.C. DEVELOPMENT, LLC
16.0 Ac.
MATRIX IMAGING SOLUTIONS
4.9 Ac.
31.0 ± Ac.
VISION METALIZERS
6.0 Ac.
UNITED BIOCHEMICAL
4.1 Ac.
VILLA OLYMPIC
5.0 Ac.
UNIVERSAL FINE CHEMICALS
7.0 Ac.
19.0 ± Ac.
HAPEMEN SERVICES
8.0 Ac.
LOCAL 91
18.0 Ac.
Niagara County
Center for Economic Development
Developed 104 acres
Available 56 acres
Total Acreage 160 acres

Balance Sheets

December 31, 2011
(with summarized comparative totals as of December 31, 2010)

	Primary Government Business-Type Activity	Component Unit Niagara County Development Corporation (Not-for-Profit)	Total	Total 2010 Summarized
Assets				
Current assets:				
Cash				
Unrestricted	$ 1,402,073	$ 2,822,358	$ 4,224,431	$ 4,917,953
Restricted	174,255	-	174,255	167,254
Accounts receivable				
Trade	248,668	-	248,668	27,293
Affiliates	1,468	-	1,468	51,189
Internal balances	63,489	(63,489)	-	-
Prepaid expenses	52,837	-	52,837	49,037
Loans receivable	37,200	269,699	306,899	302,350
	1,979,990	3,028,568	5,008,558	5,515,076
Non-current portion of loans receivable:				
Due from third parties	130,200	1,658,602	1,788,802	2,305,549
Allowance for uncollectible loans	-	(429,200)	(429,200)	(1,113,503)
	130,200	1,229,402	1,359,602	1,192,046
Property and equipment, net	4,915,991	-	4,915,991	5,103,010
Deferred financing costs, net	16,224	-	16,224	37,209
Investment in affiliate	30,000	-	30,000	30,000
	4,962,215	-	4,962,215	5,170,219
	$ 7,072,405	$ 4,257,970	$ 11,330,375	$ 11,877,341
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	$ 405,143	$ 1,363	$ 406,506	$ 171,418
Due to other governments	36,958	-	36,958	98,951
Current portion of long-term obligations				
Due others	167,240	-	167,240	154,825
Due affiliates	23,692	-	23,692	22,427
Internal balances	35,411	(35,411)	-	-
Deferred revenue	132,518	-	132,518	161,171
Security deposits	20,838	-	20,838	23,992
	821,800	(34,048)	787,752	632,784
Long-term obligations				
Due others	693,921	-	693,921	1,405,912
Due affiliates	1,976	-	1,976	25,668
Internal balances	207,205	(207,205)	-	-
Deferred outflow on interest rate swap	170,622	-	170,622	151,168
	1,073,724	(207,205)	866,519	1,582,748
Net assets:				
Invested in capital assets, net of related debt	4,084,693	-	4,084,693	3,466,276
Unrestricted	1,092,188	4,499,223	5,591,411	6,195,533
	5,176,881	4,499,223	9,676,104	9,661,809
	$ 7,072,405	$ 4,257,970	$ 11,330,375	$ 11,877,341

See accompanying notes.

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Statements of Revenues, Expenses, and Changes in Net Assets

For the year ended December 31, 2011
(with summarized comparative totals for December 31, 2010)

	Primary Government Business-Type Activity	Component Unit Niagara County Development Corporation (Not-for-Profit)	Total	Total 2010 Summarized
Operating revenues:				
Fees	$ 782,790	$ -	$ 782,790	$ 578,342
Program income	-	80,405	80,405	78,107
Grants from federal, state and local governments	-	-	-	88,000
Rental income and common area charges	594,546	-	594,546	626,296
Administrative fees from affiliates	125,215	(52,900)	72,315	121,335
Miscellaneous	37,998	1,220	39,218	36,053
Total operating revenues	1,540,549	28,725	1,569,274	1,528,133
Operating expenses:				
Personnel services	428,716	-	428,716	431,633
Contractual expenses	211,050	20,187	231,237	262,101
Occupancy	264,608	-	264,608	238,447
Program and related expenses	-	35,534	35,534	59,348
Employee benefits	202,638	-	202,638	226,478
Interest expense	150,168	(13,130)	137,038	128,999
Provision for uncollectible loans	27,375	13,501	40,876	40,382
Depreciation and amortization	238,589	-	238,589	218,283
Total operating expenses	1,523,144	56,092	1,579,236	1,605,671
Operating gain (loss)	17,405	(27,367)	(9,962)	(77,538)
Nonoperating revenues (expenses):				
Grants from state and local governments	551,205	-	551,205	51,978
Investment income (loss)	(16,513)	4,737	(11,776)	6,892
Income from investment in affiliated organization	33,500	-	33,500	33,500
Loss on sale of assets	(1,235)	-	(1,235)	(560)
Grants to subrecipients	(511,279)	-	(511,279)	-
NYS administrative fee reversal	-	-	-	164,500
Total nonoperating revenues (expenses)	55,678	4,737	60,415	256,310
Gain (loss)	73,083	(22,630)	50,453	178,772
Transfer to Niagara Frontier Transportation Authority	(36,158)	-	(36,158)	(57,014)
Internal transfer	766,464	(766,464)	-	-
Net gain (loss)	803,389	(789,094)	14,295	121,758
Net assets - beginning	4,373,492	5,288,317	9,661,809	9,540,051
Net assets - ending	$ 5,176,881	$ 4,499,223	$ 9,676,104	$ 9,661,809

See accompanying notes.

Statement of Cash Flows

For the year ended December 31, 2011

Operating activities:		
Cash received from loan and administrative fees	$	880,354
Cash received from rental income and common area charges		567,634
Cash received from other sources		37,998
Payments to employees, suppliers, and other		(1,107,758)
Payments for interest		(150,168)
Net operating activities		228,060
Noncapital financing activities:		
Operating grants received		368,647
Grants paid to third party recipients		(279,000)
Net noncapital financing activities		89,647
Capital and related financing activities:		
Purchases of equipment, net		(31,820)
Cash received from NCDC		766,464
Loan payments to third parties		(866,978)
Net capital and related financing activities		(132,334)
Investing activities:		
Cash received from investment in affiliate		33,500
Cash payments made for revolving loans		(56,848)
Cash payments to Niagara Frontier Transportation Authority		(57,014)
Interest income		2,942
Net investing activities		(77,420)
Net change in cash		107,953
Cash - beginning		1,468,375
Cash - ending	$	1,576,328
Reconciliation of operating gain (loss) to net cash flows from operating activities:		
Operating gain (loss)	$	17,405
Adjustments to reconcile operating gain (loss) to net cash flows from operating activities:		
Depreciation and amortization		238,589
Changes in other current assets and liabilities		
Accounts receivable and other assets		818
Accounts payable and other liabilities		(28,752)
Net operating activities	$	228,060

See accompanying notes.

1. Summary of Significant Accounting Policies:

Nature of Organization:

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

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

Basis of Presentation:

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency applies all GASB pronouncements as well as applicable accounting and financial reporting guidance of GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Grants:

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

Financial Reporting Entity:

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

Niagara Area Development Corporation (NADC) is a governmental entity formed in 2011 to undertake and promote economic development initiatives in the County. Its functions will include real estate leasing, acquisition, development, and management; real estate project financing; and other community-based economic development activities for the benefit of nonprofit organizations.

NADC was formed by the County, which requires the Directors of NCIDA to serve as the directors of NADC. In addition, the Agency is entitled to all financing fees generated by NADC in exchange for providing ongoing management and administrative services to NADC. As a result, NADC is presented as a blended component unit of the Agency. Internal balances have been eliminated for the purposes of this presentation in the accompanying financial statements to avoid the impact of "grossing-up" the affected financial statement line items. In addition, separate financial statements of NADC are available from the Agency.

<u>Niagara County Development Corporation</u> (NCDC) is a nonprofit corporation formed to promote economic growth and prosperity in the County. Its function is to make loans at favorable interest rates to small businesses that are located within the County, thus encouraging startup of new businesses and relocation and expansion of existing businesses within the County.

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

The membership of NCDC consists of the nine Board members of the Agency, the Chairperson of the County Legislature or his/her designee, and three additional members appointed by the Board at its discretion. In accordance with GASB Statement 39, because the Agency is a business-type activity and NCDC is a nonprofit organization, the activity of NCDC is reflected as a discretely-presented component unit of the Agency. Internal balances that include NCDC's $150,000 investment in the Agency and the Agency's related effect on net assets have been eliminated for purposes of this presentation in the accompanying financial statements to avoid the impact of "grossing-up" the affected financial statement line items. In addition, separate financial statements of NCDC are available from the Agency.

Measurement Focus:

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

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

Estimates:

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

Net Assets:

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

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

Cash:

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

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

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's and NCDC's deposits may not be returned to it. At December 31, 2011, the Agency's and NCDC's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust departments or agents in the Agency's and NCDC's names.

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

Allowance for Uncollectible Loans and Receivables (NCDC):

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

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

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

Deferred Financing Costs:

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

Property and Equipment:

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

Capitalization thresholds 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	$	5,000	3-40 years
Furniture and equipment	$	1,000	5-40 years
Infrastructure	$	5,000	25 years

Budgetary Policies:

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

2. Loans Receivable:

Agency:		
Note receivable from third party for repayment of loan to State Department of Transportation (Note 5)	**$**	**167,400**
Less current portion		**37,200**
	$	**130,200**

NCDC:		
Various notes receivable from companies with operations in Niagara County, due in aggregate monthly installments of approximately $22,500 including interest at rates ranging from 5.0% to 6.8%, generally secured by secondary position on assets and personal guarantees, due through December 2020.	**$**	**1,928,301**
Less allowance for uncollectible loans		**429,200**
Less current portion		**269,699**
	$	**1,229,402**

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

These programs consist of the following:

- *EDA revolving loan account* – established through federal grants from the Economic Development Administration (EDA) and transferred from NCIDA pursuant to an agreement dated July 16, 1992.
- *HUD revolving loan account* – established through federal grants from the Department of Housing and Urban Development (HUD) and transferred from NCIDA pursuant to an agreement dated July 16, 1992.
- *Town of Lockport revolving loan account* – established in 2002 with a HUD Community Development Block Grant (CDBG) to aid industries in the Town of Lockport.
- *IDA revolving loan account* – pursuant to an agreement dated July 16, 1992 between NCIDA and NCDC, IDA #1 and IDA #2 Revolving Loan Accounts were combined into one loan account (IDA Revolving Loan Account (IDA-RLA)) and transferred from NCIDA to NCDC.
- *Micro revolving loan account* – established in 1996 with a HUD CDBG to assist in the establishment and expansion of microenterprise business activity within the County, create employment opportunities for low to moderate income County residents, and preserve and expand the County's tax base.
- *Capital incentive growth revolving loan account* – established in 1998 to provide start-up expansion capital for technology-based companies seeking to retain or establish local ownership. There are currently no loans outstanding under this revolving loan program.

3. Property and Equipment:

	Balance January 1, 2011	Increases	Retirements/ Reclassifications	Balance December 31, 2011
Capital assets not depreciated:				
Land	$ 8,645	$ -	$ (1,235)	$ 7,410
Capital assets depreciated:				
Land improvements	63,758	11,496	-	75,254
Buildings	7,180,711	-	-	7,180,711
Furniture and equipment	244,282	-	-	244,282
Infrastructure	89,773	20,324	-	110,097
Total depreciated assets	7,578,524	31,820	-	7,610,344
Less accumulated depreciation:				
Land improvements	58,296	1,277	-	59,573
Buildings	2,236,798	189,889	-	2,426,687
Furniture and equipment	182,505	22,007	-	204,512
Infrastructure	6,560	4,431	-	10,991
Total accumulated depreciation	2,484,159	217,604	-	2,701,763
Total depreciable assets, net	5,094,365	(185,784)	-	4,908,581
	$ 5,103,010	**$ (185,784)**	**$ (1,235)**	**$ 4,915,991**

4. Investments:

Incubator Facility Fund:

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

5. Long-Term Debt:

Job Development Authority	**$ 88,855**
Niagara Economic Development Fund	**25,668**
Bank of America commercial loan	**604,906**
State Department of Transportation	**167,400**
	886,829
Less current portion	**190,932**
	$ 695,897

Aggregate maturities on long-term debt subsequent to December 31, 2011 are:

	Principal	Interest
2012	$ 190,932	$ 37,769
2013	93,509	29,125
2014	90,466	26,323
2015	109,066	23,481
2016	59,389	20,471
2017-2021	343,467	49,513
	$ 886,829	$ 186,682

Internal Balances – Loan Payable:

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

On December 31, 2001, the Agency formalized the borrowing arrangement through a 15-year promissory note. The promissory note bears interest at 5%, with monthly principal and interest payments of $2,533. On December 31, 2016, a balloon payment of $95,821 is due and payable unless a mutually acceptable renewal option negotiated 90 days prior to the final payment date has been exercised. For the year ended December 31, 2011, interest amounted to $10,974. The balance outstanding on this loan as of December 31, 2011 was $208,866.

During 2003, the Agency borrowed $150,000 from NCDC to complete a build-out in the Vantage Centre for a tenant-occupied space. The loan was interest-free during the construction period. At the end of the construction period, interest accrues at a rate of 5% and is repaid in 40 quarterly payments of $1,250 plus interest with a final balloon payment or option of renewal. For the year ended December 31, 2011, interest in the amount of $2,156 has been recognized. The amount outstanding under this arrangement amounted to $33,750 as of December 31, 2011.

Loans Payable, Operating:

In 2011, the Agency entered into an agreement with the State Department of Transportation and a third party as part of the State Industrial Access Program. This award consisted of a grant portion and a loan portion. The loan of $186,000, to be paid back over five years, is non-interest bearing. The Agency serves as a pass-through entity, collecting amounts owed from the third party and submitting them to the State. Amounts outstanding under this loan and receivable from the third party total $167,400 at December 31, 2011.

Loans Payable, Multi-Tenant Facilities:

Multi-Tenant Facility - Wheatfield

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

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

In December 1997, the Agency received loans of $700,000 and $250,000 respectively from the New York State Job Development Authority and Niagara Economic Development Fund, a related party as explained in Note 9. The land, buildings and improvements of the Multi-Tenant Facility located at 2055 Niagara Falls Boulevard, Town of Wheatfield, New York, secure the loans.

The mortgage notes payable are fifteen year notes with monthly payments of principal and interest of $7,267 and $2,043 beginning February 1, 1998 and January 1, 2001, respectively, and continuing until January 1, 2013. For the year ended December 31, 2011, total interest paid amounted to $14,319. The interest rate on the $700,000 note is 9.4%. The rate of interest on the $250,000 note is 5.5%. Amounts outstanding under these loans at December 31, 2011 total $114,523.

Multi-Tenant Facility - Vantage International Pointe

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

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

Bank of America issued a construction loan in the amount of $2,300,000 as interim financing until the project was complete. This loan was bifurcated into two construction loans. One, in the amount of $1,350,000, had a term of 12 months, with monthly interest-only payments. The second, in the amount of $950,000, has a term of 21 years, with monthly interest-only payments for the first 12 months followed by monthly principal and interest payments based on a 20-year schedule. The loan has a permanent interest rate equal to the one-month LIBOR rate plus 135 basis points, hedged with a fixed-rate swap converted to the holder's tax-exempt rate (Note 6). Amounts outstanding under this loan total $604,906 at December 31, 2011.

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

During 2003, the temporary construction loan was replaced by a mortgage with the New York State Job Development Authority in the amount of $950,000. The loan had a 20-year term with payments of $96,635 and a fixed interest rate of 8.18% per annum. The Agency paid off this loan in September 2011. A prepayment penalty of $36,255 is included within interest expense in the accompanying statements of revenues, expenses, and changes in net assets.

6. Interest Rate Swap:

The Agency has entered into an interest rate swap to manage interest costs related to long-term debt. The Agency has evaluated the swap using the synthetic instrument method and deemed it to be ineffective as a cash flow hedge. As a result, differences in the fair value of the notional value of the swap agreement are reflected in the accompanying statement of revenues, expenses, and changes in net assets.

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

Additional terms are as follows as of December 31, 2011:

Notional amount	$ 604,906
Fair value	(170,622)
Net cash flows during the year	41,392

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

7. Operating Lease:

The Agency accounts for the rental of its office space in the Multi-Tenant/Incubator Facility at Vantage International Pointe as an expense in its operating fund and as revenue in its Vantage International Pointe Multi-Tenant Facility Fund. Rent expense and common area charges for the year ended December 31, 2011 amounted to $84,162 and $8,741, respectively.

8. Pension:

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

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

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

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

		Amount	Rate
2011	$	57,593	12.6-21.3%
2010		99,678	11.2-15.2%
2009		43,626	6.9-9.2%

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

9. Related-Party Transactions:

Administration Fees:

The Agency received $4,000 in administration fees from NIIA during the year ended December 31, 2011.

During 2011, the Agency received $50,000 in administration fees from Niagara Economic Development Fund (NEDF), a business trust whose membership consists of representatives of the Empire State Development Corporation, the New York Power Authority, the City of Niagara Falls, and the Agency. The Agency serves as its trustee and NCDC as the loan fund administrator. No loan origination fees were received from NEDF during the year ended December 31, 2011.

Other:

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

10. Industrial Revenue Bond and Note Transactions:

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

11. Risk Management:

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

12. Commitments and Contingencies:

Grants:

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

Litigation:

The Agency is 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 the Agency.

Supplementary Information
Schedules of Intra-Agency Balance Sheets by Operating Unit

December 31, 2011
(with summarized comparative totals as of December 31, 2010)

	Operating	Multi-Tenant Facility Operating	VIP Multi-Tenant Operating	Total	Total 2010 Summarized
Assets					
Current assets:					
Cash					
Unrestricted	$ 1,024,289	$ 281,260	$ 96,524	$ 1,402,073	$ 1,301,121
Restricted	103,109	9,672	61,474	174,255	167,254
Accounts receivable					
Trade	248,668	-	-	248,668	27,293
Affiliates	1,468	-	-	1,468	51,189
Internal balances	63,489	-	-	63,489	52,225
Prepaid expenses	35,768	4,837	12,232	52,837	49,037
Due from other operating units	603,873	-	-	603,873	631,124
Loans receivable	37,200	-	-	37,200	-
	2,117,864	295,769	170,230	2,583,863	2,279,243
Loans receivable	130,200	-	-	130,200	-
Property and equipment, net	38,762	1,557,049	3,320,180	4,915,991	5,103,010
Deferred financing costs, net	-	1,094	15,130	16,224	37,209
Investment in affiliate	30,000	-	-	30,000	30,000
	198,962	1,558,143	3,335,310	5,092,415	5,170,219
	$ 2,316,826	$ 1,853,912	$ 3,505,540	$ 7,676,278	$ 7,449,462
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable	$ 317,391	63,356	$ 24,396	$ 405,143	$ 123,697
Due to other governments	800	36,158	-	36,958	98,951
Current portion of long-term obligations					
Due others	37,200	82,281	47,759	167,240	154,825
Due affiliates	-	23,692	-	23,692	22,427
Internal balances	-	20,411	15,000	35,411	34,418
Deferred revenue	114,243	18,275	-	132,518	161,171
Security deposits	-	9,672	11,166	20,838	23,992
Due to other operating units	-	39,781	564,092	603,873	631,124
	469,634	293,626	662,413	1,425,673	1,250,605
Long-term obligations					
Due others	130,200	6,574	557,147	693,921	1,405,912
Due affiliates	-	1,976	-	1,976	25,668
Internal balances	-	188,455	18,750	207,205	242,617
Deferred outflow on interest rate swap	-	-	170,622	170,622	151,168
	130,200	197,005	746,519	1,073,724	1,825,365
Net assets (deficit):					
Invested in capital assets, net of related debt	38,762	1,349,277	2,696,654	4,084,693	3,466,276
Unrestricted (deficit)	1,678,230	14,004	(600,046)	1,092,188	907,216
	1,716,992	1,363,281	2,096,608	5,176,881	4,373,492
	$ 2,316,826	$ 1,853,912	$ 3,505,540	$ 7,676,278	$ 7,449,462

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

For the year ended December 31, 2011
(with summarized comparative totals for December 31, 2010)

	Operating	Multi-Tenant Facility Operating	VIP Multi-Tenant Operating	Total	Total 2010 Summarized
Operating revenues:					
Fees	$ 782,790	$ -	$ -	$ 782,790	$ 572,342
Rental income and common area charges	2,425	261,194	330,927	594,546	626,296
Administrative fees from affiliates	125,215	-	-	125,215	121,335
Miscellaneous	32,998	5,000	-	37,998	32,851
Total operating revenues	943,428	266,194	330,927	1,540,549	1,352,824
Operating expenses:					
Personnel services	428,716	-	-	428,716	431,633
Contractual expenses	191,446	6,251	13,353	211,050	200,661
Occupancy	125,292	43,669	95,647	264,608	238,447
Employee benefits	202,638	-	-	202,638	226,478
Interest expense	-	25,293	124,875	150,168	143,823
Provision for uncollectible loans	-	-	27,375	27,375	-
Depreciation and amortization	21,974	84,841	131,774	238,589	218,283
Total operating expenses	970,066	160,054	393,024	1,523,144	1,459,325
Operating gain (loss)	(26,638)	106,140	(62,097)	17,405	(106,501)
Nonoperating revenues (expenses):					
Grants from state and local governments	551,205	-	-	551,205	51,978
Investment income (loss)	2,470	317	(19,300)	(16,513)	(7,299)
Income from investment in affiliated organization	33,500	-	-	33,500	33,500
Income from joint venture	36,158	(36,158)	-	-	-
Loss on sale of assets	-	-	(1,235)	(1,235)	(560)
Grants to subrecipients	(511,279)	-	-	(511,279)	-
NYS administrative fee reversal	-	-	-	-	164,500
Total nonoperating revenues (expenses)	112,054	(35,841)	(20,535)	55,678	242,119
Gain (loss)	85,416	70,299	(82,632)	73,083	135,618
Transfer to Niagara Frontier Transportation Authority	-	(36,158)	-	(36,158)	(57,014)
Transfer from NCDC	-	-	766,464	766,464	-
Net gain (loss)	85,416	34,141	683,832	803,389	78,604
Net assets - beginning	1,631,576	1,329,140	1,412,776	4,373,492	4,294,888
Net assets - ending	$ 1,716,992	$ 1,363,281	$ 2,096,608	$ 5,176,881	$ 4,373,492

Supplementary Information
Schedules of Intra-Agency Operating Expenses

For the year ended December 31, 2011
(with summarized comparative totals for December 31, 2010)

	Operating	Multi-Tenant Facility Operating	VIP Multi-Tenant Operating	Total	Total 2010 Summarized
Contractual expenses:					
Marketing	$ 48,452	$ -	$ -	$ 48,452	$ 51,369
Conferences and travel	3,343	-	-	3,343	1,784
Postage	3,501	-	-	3,501	3,860
Office supplies and expense	16,206	421	20	16,647	13,159
Printing	1,105	-	-	1,105	1,959
Telephone and internet	10,689	-	-	10,689	8,827
Library and memberships	1,366	-	-	1,366	1,491
Professional fees	80,341	-	590	80,931	73,247
Insurance	18,365	5,830	12,743	36,938	37,242
Computer consulting	7,172	-	-	7,172	7,036
Miscellaneous	906	-	-	906	687
	$ 191,446	$ 6,251	$ 13,353	$ 211,050	$ 200,661

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended December 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Number	Expenditures
U.S. Department of Housing and Urban Development:			
Passed through Niagara County			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Various	$ 393,591
U.S. Department of Commerce:			
Passed through Niagara County			
Economic Adjustment Assistance	11.307	Various	792,548
Total Expenditures of Federal Awards			$ 1,186,139

See accompanying notes.

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies:

Basis of Presentation:

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

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

Basis of Accounting:

The Agency and NCDC use the accrual basis of accounting for each federal program, consistent with the financial statements.

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

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

The Board of Directors
Niagara County Industrial Development Agency

We have audited the financial statements of Niagara County Industrial Development Agency (the Agency) and its discretely presented component unit, Niagara County Development Corporation (NCDC) as of and for the year ended December 31, 2011, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Lumsden & McCormick, LLP

March 28, 2012

Lumsden & McCormick, LLP
Certified Public Accountants

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

The Board of Directors
Niagara County Industrial Development Agency

<u>Compliance</u>

We have audited Niagara County Industrial Development Agency's (the Agency) and its discretely presented component unit, Niagara County Development Corporation's (NCDC) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of their major federal programs for the year ended December 31, 2011. The Agency's and NCDC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of the Agency's and NCDC's management. Our responsibility is to express an opinion on the Agency's and NCDC's compliance based on our audit.

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

In our opinion, the Agency and NCDC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of their major federal programs for the year ended December 31, 2011.

<u>Internal Control over Compliance</u>

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

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

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

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

Lumsden & McCormick, LLP

March 28, 2012

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Findings and Questioned Costs

For the year ended December 31, 2011

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	*Unqualified*
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	*Unqualified*
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA #	Amount
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	$ 393,591

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

Section II. Financial Statement Findings

No findings were reported.

Section III. Federal Award Findings and Questioned Costs

No findings were reported.

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Summary Schedule of Prior Audit Findings

December 31, 2011

Reference Number	Discussion	Questioned Cost	Status of Finding

No findings were reported and as such no corrective action plan is needed.