

**NIAGARA COUNTY BROWNFIELD
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara County Brownfield Development Corporation

We have audited the accompanying financial statements of Niagara County Brownfield Development Corporation (NCBDC) (a nonprofit organization) as of and for the year ended September 30, 2012. These financial statements are the responsibility of NCBDC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NCBDC as of September 30, 2012, and the changes in its net assets and its cash flows 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 December 4, 2012 on our consideration of NCBDC'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 on pages 3 through 6 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for 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. The accompanying supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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

December 4, 2012

**NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(Unaudited)**

As management of Niagara County Brownfield Development Corporation ("NCBDC"), we offer readers of NCBDC's financial statements this narrative overview and analysis of the financial activities of NCBDC for the year ended September 30, 2012. This document should be read in conjunction with NCBDC's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets of NCBDC exceeded its liabilities by \$596,641 (net assets). This total is restricted for use within Niagara County Brownfields Cleanup Revolving Loan Fund (BCRLF) as outlined in its cooperative agreements with the United States Environmental Protection Agency.
- NCBDC's net assets remained consistent with the prior year. Because NCBDC is reimbursed for eligible loan disbursements and allowable expenses net of any program income (application fees and interest income), revenue will equal expenses plus the amount of loans disbursed during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

NCBDC is a not-for-profit public benefit corporation treated as a governmental entity for financial reporting purposes. The financial statements in this report are therefore those of a special-purpose government. The following statements are included:

- Balance Sheet – reports NCBDC's current and long term financial resources and liabilities.
- Statement of Revenues, Expenses and Changes in Net Assets – reports NCBDC's operating and nonoperating revenues by major source along with operating and nonoperating expenses.
- Statement of Cash Flows – reports NCBDC's cash flows from operating and noncapital financing activities.

FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of NCBDC, assets exceeded liabilities by \$596,641 at the close of 2012. The largest portion of NCBDC's net assets reflects the outstanding principal due from loan disbursements. As of September 30, 2012, NCBDC did not own any property nor was it obligated by any long-term liabilities.

Net assets as of September 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Current assets	\$ 409,603	\$ 154,703
Non-current portion of loans receivable	<u>321,132</u>	<u>460,950</u>
Total assets	<u>730,735</u>	<u>615,653</u>
Current liabilities	122,886	1,743
Unearned grant proceeds	<u>11,208</u>	<u>17,269</u>
Total liabilities	<u>134,094</u>	<u>19,012</u>
Net assets		
Restricted	<u>\$ 596,641</u>	<u>\$ 596,641</u>

Changes in net assets for the years ended September 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Interest income	\$ 10,587	\$ 4,261
Application fees	<u>-</u>	<u>1,000</u>
Total operating revenues	<u>10,587</u>	<u>5,261</u>
Operating expenses:		
Professional fees	9,962	14,838
Administrative fees	3,375	4,534
Insurance expense	<u>2,400</u>	<u>2,400</u>
Total operating expenses	<u>15,737</u>	<u>21,772</u>
Operating loss	(5,150)	(16,511)
Nonoperating revenues (expenses):		
Grants received	397,237	527,245
Grants to subrecipients	<u>(392,087)</u>	<u>(1,150)</u>
Total nonoperating revenues	<u>5,150</u>	<u>526,095</u>
Increase in net assets	-	509,584
Net assets beginning of year	<u>596,641</u>	<u>87,057</u>
Net assets end of year	<u>\$ 596,641</u>	<u>\$ 596,641</u>

Grant revenue, which is comprised solely of grants from the U.S. Environmental Protection Agency (EPA), represents 97% and 99% of total revenues for 2012 and 2011. All grant revenue and earnings were used to fund projects and related expenses during 2012, resulting in no change to net assets. The majority of amounts received from the EPA during 2011 will remain in net assets for use as revolving loan funds.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

During 2012, Niagara County continued to implement the BCRLF program and achieve established performance measures. Performance measures include awarding funds to new remediation projects and beginning the process of turning vacant properties back to productive use. Of the \$1,900,000 in grant funds allocated to the program, \$1,670,000 has been committed for loans or grants as of September 30, 2012.

Funding for four sites was approved in 2011 and for one site in 2012. Each of the sites is discussed in detail below.

Santarosa Project

In December 2008, NCBDC's Board of Directors (the Board) approved the first BCRLF project, a \$250,000 loan to Santarosa Holdings, Inc. for asbestos abatement at 1501 College Avenue in the City of Niagara Falls. The 13 acre site was previously used for heavy industrial manufacturing. The site has remained vacant since the late 1980's.

During site remediation, significant additional contamination was found and Santarosa Holdings, Inc. applied for and received a second loan totaling \$384,900 from BCRLF to assist with addressing site contamination. All of the buildings on the site have been demolished, 3,700 tons of contaminated soil removed, 20,000 gallons of contaminated water removed, and 2,760 tons of asbestos removed from the site. It is anticipated that the New York State Department of Environmental Conservation will issue a Certificate of Completion by the end of 2012 certifying that cleanup actions at the site were successfully completed.

Dussault Foundry Site Project

In May 2010, the Board approved the first BCRLF project under the American Recovery and Reinvestment Act (ARRA), a \$200,000 grant to the City of Lockport for the remediation of the Dussault Foundry Site, 2 and 10 Washburn Street in the City of Lockport. The 5.6 acre site was previously used from 1912 to 1995 for manufacturing cast iron and ductile steel. The City of Lockport acquired the site through tax foreclosure in August 2010.

During site remediation, unexpected contamination was discovered and NCBDC issued a subgrant amendment to increase the subgrant amount to \$350,000. Remediation activities will be completed in early 2013.

Lockport Air Force Base, Town of Cambria

In May 2011, the Board approved two BCRLF ARRA grants totaling \$400,000 to the Town of Cambria Housing Authority for remediation at two parcels that were formerly part of the Lockport Air Force Base in the Town of Cambria. The two parcels (Parcel #1 and #6) total 12.8 acres and were used by the United States government as a military command center from 1942 to 1974.

Site remediation includes asbestos abatement, building demolition, and contaminated soil removal. Significant work was completed in 2012 with remediation scheduled for completion by summer 2013.

Kohl Cycle Site, City of Lockport

In May 2011, the Board approved a \$200,000 grant for remediation at the Kohl Cycle Site, 71 Gooding Street in the City of Lockport. The 0.74 acre site was used for industrial purposes for over 100 years. The City of Lockport acquired the site through tax foreclosure in 2008.

The City of Lockport is working with the New York State Office of Parks, Recreation, and Historical Preservation to address potential historic preservation issues with the site building. Upon resolution of these issues, it is anticipated that a grant agreement for the project will be expected between NCBDC and the City of Lockport.

39th Street School Site, City of Niagara Falls

In April 2012, the Board approved a \$200,000 BCRLF grant for remediation at the former 39th Street School site in the City of Niagara Falls. Of the \$200,000 grant award, \$130,000 is being provided by ARRA funding.

The City of Niagara Falls took ownership of the property by tax foreclosure. A Phase I Environmental Site Assessment (ESA) was completed at the site in September and a Phase II ESA was completed in January 2010. Remediation is planned for 2013.

FACTORS EXPECTED TO IMPACT FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS

Management believes NCBDC is in good condition financially. Funding is available to cover existing project reimbursements as well as the development of future projects.

CONTACTING FINANCIAL MANAGEMENT

This financial report is designed to provide our stakeholders with a general overview of NCBDC's finances and to show the accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Amy E. Fisk, AICP, President at 6311 Inducon Corporate Drive, Sanborn, New York 14132.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Balance Sheet

September 30, 2012

Assets

Current assets:

Cash	\$	99,554
Loans receivable (Note 2)		189,232
Grants receivable		120,817
		<u>409,603</u>

Non-current portion of loans receivable (Note 2)		<u>321,132</u>
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\$ 730,735

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	2,069
Grants payable		120,817
		<u>122,886</u>

Unearned grant proceeds		11,208
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Net assets:

Restricted		<u>596,641</u>
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\$ 730,735

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Statement of Revenues, Expenses and Changes in Net Assets

For the year ended September 30, 2012

Operating revenues:

Interest income \$ 10,587

Operating expenses:

Professional fees 9,962

Administrative fees 3,375

Insurance expense 2,400

Total operating expenses 15,737

Operating loss (5,150)

Nonoperating revenues (expenses):

Grants received 397,237

Grants to subrecipients (392,087)

Total nonoperating revenues 5,150

Change in net assets -

Net assets - beginning 596,641

Net assets - ending \$ 596,641

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Statement of Cash Flows

For the year ended September 30, 2012

Operating activities:

Interest payments received	\$ 10,587
Payments to vendors and others	(15,411)
Net operating activities	<u>(4,824)</u>

Noncapital financing activities:

Principal repayments received on loans	86,277
Grants received	274,323
Grants paid to third party recipients	(271,270)
Net noncapital financing activities	<u>89,330</u>

Net change in cash 84,506

Cash - beginning 15,048

Cash - ending \$ 99,554

Reconciliation of operating loss to net cash flows from operating activities:

Operating loss	\$ (5,150)
Adjustments to reconcile operating gain to net cash flows from operating activities:	
Change in accounts payable	326

Net operating activities \$ (4,824)

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Organization:

Niagara County Brownfield Development Corporation (NCBDC) was organized in October 2008 as a not-for-profit public benefit corporation to establish and operate the Niagara County Brownfields Cleanup Revolving Loan Fund (BCRLF) program. Through BCRLF, NCBDC provides financial assistance in the form of low-interest loans and subgrants to eligible entities for remediation of brownfield sites throughout Niagara County.

BCRLF is a cooperative effort between Niagara County (the County) and the City of Niagara Falls (the City). Accordingly, the Chairman of the County's Board of Legislators and the Mayor of the City sit on the Board of NCBDC. The third member of NCBDC's Board is the Executive Director of Niagara County Industrial Development Agency (NCIDA), and NCIDA provides administrative support and management to NCBDC.

Basis of Presentation:

The financial statements 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. NCBDC 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*.

Measurement Focus:

NCBDC 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. NCBDC'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.

NCBDC's policy to define operating activities in the statement 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 grants from state, federal, and local sources.

Use of Estimates:

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

Cash:

Investment policies are governed by State laws and as established in NCBDC'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, NCBDC's deposits may not be returned to it. At September 30, 2012, NCBDC's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust departments or agents in NCBDC's name.

Loans Receivable:

Loans receivable are stated at the principal amount outstanding, net of an allowance for uncollectible loans, if any. 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. As of September 30, 2012, management did not believe an allowance was necessary.

Interest on loans receivable is accrued as required by the terms of the agreement, and 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.

Grants:

All grants are reflected as unrestricted revenue to the extent related expenses have been incurred. Amounts not yet spent are classified as unearned revenue and recognized as revenue when spent.

Income Taxes:

NCBDC is a 501(c)(3) organization exempt from income taxes under Section 501(a) of the Internal Revenue Code. Management believes NCBDC is no longer subject to examination by Federal taxing authorities for years ended prior to September 30, 2009 (inception).

2. Loans Receivable:

Notes receivable from one company, due in aggregate monthly installments of \$12,645 including interest at 3%, generally secured by the company's assets, due through April 2016.	\$ 510,364
Less current portion	189,232
	\$ 321,132

3. Related Party Transactions:

Administration Fees:

NCIDA charges NCBDC administration fees for accounting and administrative support services. Fees for the year ended September 30, 2012 totaled \$3,375.

4. Commitments:

NCBDC has previously committed to provide grant funding for four projects totaling \$950,000. As of September 30, 2012, \$556,763 has not yet been expended. These funds are reimbursed by a grant provided by the EPA.

5. Economic Dependence

NCBDC receives all of its grant revenue from the United States Environmental Protection Agency for the year ended September 30, 2012.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Supplementary Information
Schedule of Revolving Loan Funds

For the year ended September 30, 2012

	Loan Closing Date	Loan Balance 1/1/2011	Loans Made	Principal Paid	Loan Balance 9/30/2012	Interest Paid
Santarosa Holdings, Inc.	06/04/09	\$ 211,741	\$ -	\$ 39,261	\$ 172,480	\$ 4,202
Santarosa Holdings, Inc.	04/13/11	384,900	-	47,016	337,884	6,385
		<u>\$ 596,641</u>	<u>\$ -</u>	<u>\$ 86,277</u>	<u>\$ 510,364</u>	<u>\$ 10,587</u>

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

**Supplementary Information
Schedule of Subgrants**

For the year ended September 30, 2012

Grantee	EPA Grant	Agreement Date	Subgrant Amount	Amount Previously Disbursed	Amount Disbursed 9/30/2012	Amount Remaining
City of Lockport	2B97226409-0	08/27/10	\$ 350,000	\$ 1,150	\$ 218,276	\$ 130,574
Town of Cambria	2B97226409-0	09/06/11	200,000	-	82,819	117,181
Town of Cambria	2B97226409-0	09/06/11	200,000	-	90,992	109,008
City of Niagara Falls	2B97226409-0	04/12/12	130,000	-	-	130,000
			<u>\$ 880,000</u>	<u>\$ 1,150</u>	<u>\$ 392,087</u>	<u>\$ 486,763</u>
City of Niagara Falls	BF97245508-0	04/12/12	\$ 70,000	\$ -	\$ -	\$ 70,000
			<u>\$ 950,000</u>	<u>\$ 1,150</u>	<u>\$ 392,087</u>	<u>\$ 556,763</u>

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

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

For the year ended September 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Expenditures</u>
<u>U.S. Environmental Protection Agency:</u>			
Passed through Niagara County			
Brownfields Assessment and Cleanup Cooperative Agreements (revolving loan funds)	66.818	BF97245508-0	\$ 510,364
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF97245508-0	1,439
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements, Recovery Act	66.818	2B97226409-0	<u>395,798</u>
			<u>\$ 907,601</u>

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

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 Brownfield Development Corporation (NCBDC), an entity as defined in Note 1 to NCBDC's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The federal programs are maintained on the accrual basis of accounting, consistent with the financial statements.

In accordance with Office of Management and Budget (OMB) Circular A-133, expenditures for loan programs are calculated as outstanding loan balances at year end plus new loans issued during the year.

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

2. Loan Balances

Outstanding loan balances for NCBDC's revolving loan fund at September 30, 2012 amounted to \$510,364. These funds were provided by the United States Environmental Protection Agency Brownfields Assessment and Cleanup Cooperative Agreements (CFDA# 66.818).

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 Brownfield Development Corporation

We have audited the financial statements of Niagara County Brownfield Development Corporation (NCBDC), as of and for the year ended September 30, 2012, and have issued our report thereon dated December 4, 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

Management of NCBDC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered NCBDC'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 NCBDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NCBDC'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 NCBDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Lumsden & McCormick, LLP

December 4, 2012

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 Brownfield Development Corporation

Compliance

We have audited Niagara County Brownfield Development Corporation's (NCBDC) 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 NCBDC's major federal programs for the year ended September 30, 2012. NCBDC'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 its major federal programs is the responsibility of NCBDC's management. Our responsibility is to express an opinion on NCBDC'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 NCBDC'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 on NCBDC's compliance with those requirements.

In our opinion, NCBDC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control over Compliance

Management of NCBDC 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 NCBDC'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 NCBDC's internal control over compliance.

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

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

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

Lumsden & McCormick, LLP

December 4, 2012

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs

For the year ended September 30, 2012

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount</u>
66.818	Brownfields Assessment and Cleanup	
	Cooperative Agreements (revolving loan funds)	\$ 510,364
66.818	Brownfields Assessment and Cleanup	
	Cooperative Agreements	1,439
66.818	ARRA - Brownfields Assessment and Cleanup	
	Cooperative Agreements, Recovery Act	395,798
		<u>\$ 907,601</u>

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

Auditee qualified as low-risk auditee? No

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Summary Schedule of Prior Audit Findings

September 30, 2012

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