NIAGARA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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December 31, 2022

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara County Industrial Development Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Niagara County Industrial Development Agency (the Agency), a business-type activity, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of December 31, 2022, and its changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 22, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

March 22, 2023

Management's Discussion and Analysis (unaudited)

December 31, 2022

BACKGROUND

Niagara County Industrial Development Agency (NCIDA) is a not-for-profit public benefit corporation established in 1972 by the Niagara County (the County) Legislature. Under the provisions of the New York Industrial Development Agency Act, 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 the County. As a public benefit corporation, NCIDA is required to comply with accounting standards issued by the Governmental Accounting Standards Board (GASB). Under GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, NCIDA is required to present management's discussion and analysis (MD&A) to assist readers in understanding NCIDA's financial performance.

In 2022, NCIDA adopted GASB Statement No. 87, *Leases.* This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and that recognized income or expenditures, based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease as a liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

At the time of its creation, the primary economic development tool of NCIDA was the industrial revenue bond. Throughout the years, NCIDA received various grants from the U.S. Department of Housing and Urban Development (HUD) to establish revolving loan funds. The loan funds grew as additional grants from the U.S. Economic Development Administration and other sources helped to further capitalize it in ensuing years. NCIDA utilizes its resources to plan, implement, and support economic development within the 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.

Niagara County Development Corporation (NCDC), a non-profit organization, was organized as a local development corporation to promote economic growth and business prosperity in the County. NCDC's function is to make loans at favorable interest rates to businesses located within the County, thus encouraging startup of new businesses and relocation and expansion of existing businesses within the County. In accordance with accounting standards, NCDC is considered a blended component unit of NCIDA. NCDC also has separate audited financial statements for the year ended December 31, 2022 that express an unmodified opinion.

Niagara Area Development Corporation (NADC) was organized to undertake and promote economic development initiatives in the County. The Legislature appointed the NCIDA Board as the NADC Board. NADC is empowered to issue industrial revenue bonds for the benefit of not-for-profit organizations. The bonds are not obligations of NADC, NCIDA, nor New York State. Neither NADC nor NCIDA 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 bondholders. Funds arising from these agreements are controlled by trustees or banks acting as fiscal agents. For providing this service, NADC receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds. NADC has entered into an administrative agreement with NCIDA which requires that all fees generated by NADC be remitted to NCIDA. In accordance with accounting standards, NADC is considered a blended component unit of NCIDA.

As management of NCIDA and its component units, NCDC and NADC, we offer the readers of NCIDA's financial statements this narrative overview and analysis of the financial activities of NCIDA for the year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with NCIDA's audited financial statements.

FINANCIAL ANALYSIS OF NCIDA

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 Sheets - report NCIDA's current and long-term financial resources, including capital assets and long-term obligations.
- Statements of Revenues, Expenses, and Changes in Net Position – report NCIDA's operating and nonoperating revenues by major source, along with operating and nonoperating expenses.
- Statements of Cash Flows – reports NCIDA's cash flows from operating, capital and related financing, and investing activities.

The following table summarizes NCIDA's balance sheets at December 31, 2022 and 2021:

	2022	2021 (As Restated)	Change $	Change %
Current assets	**$ 9,395,000**	$ 8,756,000	$ 639,000	7.3%
Capital assets, net	**2,886,000**	3,030,000	(144,000)	-4.8%
Other noncurrent assets	**1,899,000**	2,556,000	(657,000)	-25.7%
Deferred outflows of resources	**163,000**	240,000	(77,000)	-32.1%
Total assets and deferred outflows of resources	**$ 14,343,000**	$ 14,582,000	$ (239,000)	-1.6%
Current liabilities	**$ 3,996,000**	$ 4,259,000	$ (263,000)	-6.2%
Noncurrent liabilities	**-**	1,000	(1,000)	-100.0%
Deferred inflows of resources	**826,000**	900,000	(74,000)	-8.2%
Total liabilities and deferred inflows of resources	**4,822,000**	5,160,000	(338,000)	-6.6%
Total net position	**9,521,000**	9,422,000	99,000	1.1%
Total liabilities, deferred inflows of resources, and net position	**$ 14,343,000**	$ 14,582,000	$ (239,000)	-1.6%

- Current assets increased by $639,000 primarily due to an increase in cash of $712,000. This increase is due to funds received from grantors expected to be disbursed in 2023 as well as continued repayments on loans receivable.
- Other noncurrent assets decreased by $657,000 as a result of current year repayments on loans receivable of $608,000 and a decrease in leases receivable of $95,000.
- Deferred outflows of resources, deferred inflows of resources related to pensions, the net pension asset, and noncurrent liabilities represent amounts required to be reported for NCIDA's participation in the New York State and Local Employees' Retirement System. The net change was an increase of $26,000.
- With the implementation of GASB 87 and restatement of prior year balances, leases receivable and deferred inflows of resources related to leases decreased $18,000. This decrease was due to current year lease payments, offset by new leases.
- See page 4 of this MD&A for an analysis of capital assets.

The following table summarizes NCIDA's changes in net position for the years ended December 31, 2022 and 2021:

	2022	2021	Change $	Change %
Operating revenues:				
Fees, program income, and lease revenue	**$ 1,090,000**	$ 1,250,000	$ (160,000)	-12.8%
Grant revenue	**2,636,000**	743,000	1,893,000	254.8%
Other income	**12,000**	9,000	3,000	33.3%
Total operating revenues	**3,738,000**	2,002,000	1,736,000	86.7%
Operating expenses:				
Salaries, benefits, contractual, and occupancy	**1,034,000**	913,000	121,000	13.3%
Grant expense	**2,316,000**	553,000	1,763,000	318.8%
Depreciation	**208,000**	205,000	3,000	1.5%
Total operating expenses	**3,558,000**	1,671,000	1,887,000	112.9%
Operating income	**180,000**	331,000	(151,000)	-45.6%
Nonoperating revenues (expenses):				
Interest income	**42,000**	46,000	(4,000)	3.4%
Transfers to NFTA	**(123,000)**	(119,000)	(4,000)	11.0%
Total nonoperating revenues (expenses)	**(81,000)**	(73,000)	(8,000)	11.0%
Change in net position	**99,000**	258,000	(159,000)	-61.6%
Net position – beginning	**9,422,000**	9,164,000	258,000	2.8%
Net position – ending	**$ 9,521,000**	$ 9,422,000	$ 99,000	1.1%

- Operating revenues increased $1,736,000 ($249,000 increase in 2021) due to an increase in grant revenue received in the current year offset by a decrease in project administrative fees received.
- Grant revenues increased due to multiple grantors. NCIDA provided grants to subrecipients for $585,000 from the Downtown Niagara Falls Tourism Target Fund Program and recognized corresponding revenue ($434,000 in 2021). NCDC received $248,000 of Community Development Block Grant funds, of which $212,000 was provided to subrecipients in 2022. NCDC also received $1,767,000 of Community Development Block Grant funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act in 2022 ($737,000 in 2021) of which $1,519,000 was provided to subrecipients. The balance of the NCDC grants was used for administrative and program delivery costs.
- Operating expenses increased $1,887,000 ($65,000 decrease in 2021) primarily due to $2,316,000 in grant funds disbursed during 2022, as detailed above, compared to $553,000 disbursed during 2021 as discussed above.
- Transfers to the Niagara Frontier Transportation Authority (NFTA) are based on the results of operations of Niagara Industrial Suites (NIS). Annual transfers are required based on the lease agreement between NFTA and NCIDA.

LEASEBACK, IRB PROJECTS, AND LOAN PORTFOLIO TRANSACTIONS

NCIDA's and NADC's leaseback projects and industrial revenue bond (IRB) programs closed on eleven new projects in 2022, which represent $95,739,000 in new capital investments in the County. In comparison, fourteen projects were closed in the prior year, which represented $68,118,000 in capital investments.

NCDC has three Revolving Loan Funds (RLFs); separate revolving loan fund accounts were established to segregate the initial funding sources. The three accounts were established through federal grants from the Economic Development Administration and the Department of Housing and Urban Development.

NCDC's 2022 revolving loan activities included no new loans for 2022. There were two new loans made during 2021.

CAPITAL ASSETS

		2022		2021
Land improvements	$	**104,000**	$	104,000
Buildings and improvements		**7,359,000**		7,327,000
Furniture and equipment		**272,000**		240,000
Infrastructure		**110,000**		110,000
		7,845,000		7,781,000
Accumulated depreciation		**(4,959,000)**		(4,751,000)
	$	**2,886,000**	$	3,030,000

The decrease in capital assets is attributed to $208,000 of depreciation expense, offset by $64,000 of building improvements and furniture.

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

NCIDA aggressively markets its services and available industrial sites throughout the County. These activities are intended to stimulate new construction, increase the local tax base, and create employment opportunities for area residents.

Target industries include 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 Invest Buffalo Niagara, whose main Canadian target sectors include life sciences, medical devices, and pharmaceuticals.

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Mark A. Onesi, Chairperson
Susan Langdon, Executive Director/Treasurer

Balance Sheets

December 31, 2022
(with summarized comparative totals as of December 31, 2021)

	Primary Government Business-Type Activity	Component Unit Niagara County Development Corporation (Not-for-Profit)	**Total Blended**	(As Restated) Total 2021 Summarized
Assets				
Current assets:				
Cash				
Unrestricted	$ 3,223,106	$ 1,627,852	**$ 4,850,958**	$ 3,561,811
Restricted	3,466,150	-	**3,466,150**	4,043,587
Receivables				
Trade	23,311	-	**23,311**	181,682
Internal balances	107,838	(107,838)	**-**	-
Leases	374,868	-	**374,868**	297,671
Prepaid expenses	51,087	-	**51,087**	43,248
Loans receivable (Note 3)	-	628,942	**628,942**	628,521
	7,246,360	2,148,956	**9,395,316**	8,756,520
Noncurrent assets:				
Loans receivable, net (Note 3)	-	1,239,950	**1,239,950**	1,847,841
Leases receivable	270,959	-	**270,959**	365,748
Net pension asset (Note 8)	45,112	-	**45,112**	-
Capital assets, net (Note 4)	2,885,711	-	**2,885,711**	3,030,323
Investment in affiliate (Note 5)	342,500	-	**342,500**	342,500
	3,544,282	1,239,950	**4,784,232**	5,586,412
	10,790,642	3,388,906	**14,179,548**	14,342,932
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions (Note 8)	163,304	-	**163,304**	239,614
	$ 10,953,946	$ 3,388,906	**$ 14,342,852**	$ 14,582,546
Liabilities				
Current liabilities:				
Accounts payable	$ 117,234	$ 16,203	**$ 133,437**	$ 96,726
Due to other governments	123,299	-	**123,299**	119,086
Unearned revenue (Note 6)	3,427,740	273,411	**3,701,151**	4,005,166
Security deposits	38,410	-	**38,410**	38,421
	3,706,683	289,614	**3,996,297**	4,259,399
Long-term liabilities:				
Net pension liability (Note 8)	-	-	**-**	757
	3,706,683	289,614	**3,996,297**	4,260,156
Deferred Inflows of Resources				
Deferred inflows of resources related to leases	645,827	-	**645,827**	663,419
Deferred inflows of resources related to pensions (Note 8)	180,075	-	**180,075**	236,693
	825,902	-	**825,902**	900,112
Net Position				
Net investment in capital assets	2,885,711	-	**2,885,711**	3,030,323
Restricted	-	516,608	**516,608**	500,895
Unrestricted	3,535,650	2,582,684	**6,118,334**	5,891,060
	6,421,361	3,099,292	**9,520,653**	9,422,278
	$ 10,953,946	$ 3,388,906	**$ 14,342,852**	$ 14,582,546

See accompanying notes.

Statements of Revenues, Expenses, and Changes in Net Position

For the year ended December 31, 2022
(with summarized comparative totals for December 31, 2021)

	Primary Government Business-Type Activity	Component Unit Niagara County Development Corporation (Not-for-Profit)	**Total Blended**	(As Restated) Total 2021 Summarized
Operating revenues:				
Fees	$ 420,297	$ -	**$ 420,297**	$ 599,686
Program income	-	38,131	**38,131**	48,985
Lease revenue and common area charges	581,104	-	**581,104**	551,586
Administrative fees from affiliates	330,169	(280,169)	**50,000**	50,000
Grant revenue	584,580	2,051,301	**2,635,881**	743,380
Miscellaneous	12,205	-	**12,205**	8,744
Total operating revenues	1,928,355	1,809,263	**3,737,618**	2,002,381
Operating expenses:				
Personnel services	448,520	-	**448,520**	400,421
Program and contractual	229,667	93,139	**322,806**	292,055
Occupancy	169,367	-	**169,367**	126,626
Employee benefits	93,532	-	**93,532**	94,003
Grant expense	584,580	1,731,732	**2,316,312**	553,005
Depreciation	207,524	-	**207,524**	205,088
Total operating expenses	1,733,190	1,824,871	**3,558,061**	1,671,198
Operating income (loss)	195,165	(15,608)	**179,557**	331,183
Nonoperating revenues (expenses):				
Interest income	41,435	682	**42,117**	46,441
Transfer to Niagara Frontier Transportation Authority	(123,299)	-	**(123,299)**	(119,086)
Total nonoperating revenues (expenses)	(81,864)	682	**(81,182)**	(72,645)
Net income (loss)	113,301	(14,926)	**98,375**	258,538
Net position - beginning	6,308,060	3,114,218	**9,422,278**	9,163,740
Net position - ending	$ 6,421,361	$ 3,099,292	**$ 9,520,653**	$ 9,422,278

See accompanying notes.

Statements of Cash Flows

For the year ended December 31, 2022
(with summarized comparative totals for December 31, 2021)

	Primary Government Business-Type Activity	Component Unit Niagara County Development Corporation (Not-for-Profit)	**Total Blended**	(As Restated) Total 2021 Summarized
Operating activities:				
Cash received from (paid for) loan and administrative fees	$ 830,999	$ (202,081)	**$ 628,918**	$ 472,956
Cash received from lease, occupancy, and common area charges	581,093	-	**581,093**	551,606
Cash received from loan repayments, interest, and fees	-	645,351	**645,351**	311,545
Cash received from grantors and other sources	19,359	2,324,712	**2,344,071**	379,984
Payments to employees and related benefits	(568,229)	-	**(568,229)**	(518,047)
Loan disbursements	-	-	**-**	(149,336)
Payments to grantees	-	(1,731,732)	**(1,731,732)**	(109,402)
Payments to suppliers and other	(956,710)	(91,171)	**(1,047,881)**	(842,656)
Net operating activities	(93,488)	945,079	**851,591**	96,650
Capital and related financing activities:				
Purchases of equipment	(62,912)	-	**(62,912)**	(22,175)
Investing activities:				
Cash payments to Niagara Frontier Transportation Authority	(119,086)	-	**(119,086)**	(399,848)
Interest income	41,435	682	**42,117**	46,441
Net investing activities	(77,651)	682	**(76,969)**	(353,407)
Net change in cash	(234,051)	945,761	**711,710**	(278,932)
Cash - beginning	6,923,307	682,091	**7,605,398**	7,884,330
Cash - ending	$ 6,689,256	$ 1,627,852	**$ 8,317,108**	$ 7,605,398
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	$ 195,165	$ (15,608)	**$ 179,557**	$ 331,183
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	207,524	-	**207,524**	205,088
Net pension activity	(26,177)	-	**(26,177)**	(23,623)
Changes in other assets and liabilities:				
Accounts receivable and prepaid expenses	150,532	-	**150,532**	(179,020)
Loans receivable	-	607,470	**607,470**	114,224
Accounts payable and other liabilities	(620,532)	353,217	**(267,315)**	(351,202)
Net operating activities	$ (93,488)	$ 945,079	**$ 851,591**	$ 96,650

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization

Niagara County Industrial Development Agency (the Agency) is a 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 as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Grants

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Cash received in advance of program expenditures is recorded as unearned revenue.

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 accounting standards, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following entities are included in the Agency's financial statements:

<u>Niagara Area Development Corporation (NADC):</u>
NADC is a governmental entity formed to undertake and promote economic development initiatives in the County. Its functions 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 the Agency 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 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 for NADC are available from the Agency.

<u>Niagara County Development Corporation (NCDC):</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 third-party lender financing. 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 primary 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 accounting standards, NCDC is also reflected as a blended component unit of the Agency. Separate financial statements for 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 position are those that generally result from exchange transactions such as payments received for services and payments made to purchase those goods or services. Certain other transactions are reported as nonoperating activities and include interest income and exchange transactions with related entities or joint ventures.

Estimates

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

Cash

Cash management is governed by State laws and as established by the Agency'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 deposits may not be returned to it. At December 31, 2022, the Agency's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's agent in the Agency's name.

Restricted cash includes security deposits, grant funds not yet expended, and cash whose use is limited by legal requirements.

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 written 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.

Capital Assets

Capital assets 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 for determining 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

Pensions

The Agency has elected to participate in the New York State and Local Employees' Retirement System (ERS). ERS recognizes benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. The Agency recognizes its proportionate share of net pension position, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the defined benefit pension plan.

Net Position

Net position consists of the following components:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets whose use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or, in the case of NCDC, amounts represent certain revolving loan funds from the U.S. Economic Development Administration (EDA) received from the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use.

Tax Incentive Transactions

The Agency maintains an economic development incentive program to provide sales, property, and/or mortgage recording tax benefits for qualified construction, renovation, or expansion projects or other economic development activities within the County. Under this program, the Agency may take title to or a leasehold interest in the real and/or personal property involved in the project for the term of the incentive period. The Agency simultaneously leases the property under a lease agreement back to the private-sector entity undertaking the project (lessee). The Agency receives administrative fees from the lessee for providing these tax incentives which are recognized according to the terms of the fee agreement. For the year ended December 31, 2022, the Agency received fees totaling $403,000 for providing this service.

The Agency also issues bonds that meet the definition of conduit debt obligations. Such bonds provide private-sector entities with access to capital for the acquisition, rehabilitation, and construction of industrial and commercial facilities. The bonds are secured by the properties they finance and are payable solely by the private-sector entities. The Agency receives administrative fees from these entities for providing bond issues which are recognized according to the terms of the fee agreement. At December 31, 2022, previously issued bonds have an aggregate outstanding principal amount payable of $305,530,541, none of which is recognized as a liability by the Agency.

2. Change in Accounting Principle:

Effective January 1, 2021, the earliest period presented, NCIDA adopted GASB Statement No. 87, *Leases*. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The impact of this Statement is the recognition of leases receivable and deferred inflows of resources totaling $961,091 at January 1, 2021.

3. Loans Receivable (NCDC):

Various notes receivable from companies with operations in Niagara County, due in monthly installments plus interest at rates ranging from 1.5% to 5.0%, generally secured by secondary position on assets and personal guarantees, due through June 2028.	**$**	**1,868,892**
Less current portion		**628,942**
	$	**1,239,950**

NCDC administers three revolving loan programs offering low interest commercial loans to area businesses. The programs' original funding was from a variety of sources, including the EDA and HUD. The governing board approves loans after giving consideration to the major criteria, including enhancement of the economic environment. Non-accrual loans amounted to $100,589 at December 31, 2022.

There was no allowance for uncollectible loans at December 31, 2022.

4. Capital Assets:

	January 1, 2022	Increases	Retirements/ Reclassifications	**December 31, 2022**
Depreciable capital assets:				
Land improvements	$ 104,014	$ -	$ -	**$ 104,014**
Buildings and improvements	7,327,051	30,601	-	**7,357,652**
Furniture and equipment	240,027	32,311	-	**272,338**
Infrastructure	110,097	-	-	**110,097**
Total depreciable assets	7,781,189	62,912	-	**7,844,101**
Less accumulated depreciation:				
Land improvements	93,128	2,342	-	**95,470**
Buildings and improvements	4,364,215	198,240	-	**4,562,455**
Furniture and equipment	240,027	2,692	-	**242,719**
Infrastructure	53,496	4,250	-	**57,746**
Total accumulated depreciation	4,750,866	207,524	-	**4,958,390**
Net depreciable assets	$ 3,030,323	$ (144,612)	$ -	**$ 2,885,711**

5. Investment in Affiliate:

Niagara Industrial Incubator Associates (NIIA) is 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 comprised of the general partner, Niagara Industrial Incubator Company (itself a partnership between the Agency and Niagara Frontier Transportation Authority (NFTA)) and two limited partners, the Agency and NFTA. The Agency's total interest at book value in NIIA at December 31, 2022 is $342,500 and represents 50% ownership of NIIA. Separate audited financial statements for NIIA are available from the Agency.

6. Unearned Revenue:

The Agency received funds allocated from New York State under the Miscellaneous Financial Assistance Program. These funds were used to establish the Downtown Niagara Falls Tourism Target Zone Program. Funds totaling $3,361,901 are recognized on the balance sheet and included in unearned revenue as of December 31, 2022. During 2022, grants amounting to $584,580 were disbursed and at December 31, 2022, $1,743,420 has been committed to specific projects.

In addition, NCDC received $273,411 of grant funds for which the eligibility requirements have not yet been met. Such amounts are also included in unearned revenue at December 31, 2022.

7. Leases:

The Agency leases space at two of its multi-tenant/incubator facilities to multiple tenants under the terms of noncancelable leases ranging from 36 to 72 months with interest at 4.75%. Total lease revenue and interest income under these leases was $522,513 for the year ended December 31, 2022.

The Agency also charges common area expenses to tenants that amounted to $80,295 for the year ended December 31, 2022. Intra-Agency charges have been eliminated in the accompanying financial statements.

8. Pension:

The Agency participates in ERS, a cost-sharing, multiple employer, public employee retirement system. 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 from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: ERS provides retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual’s employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

Contribution requirements: No employee contribution is required for those hired prior to July 1976. ERS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined between July 1976 and December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Agency to the pension accumulation fund. For 2022, these rates ranged from 8.1% - 12.9%.

Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At December 31, 2022, the Agency reported an asset of $45,112 for its proportionate share of the net pension position.

The total pension liability at the March 31, 2022 measurement date was determined by an actuarial valuation as of April 1, 2021, with update procedures applied to roll forward the total pension liability to March 31, 2022. The Agency’s proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At March 31, 2022, the Agency's proportion was 0.0005519%, a decrease of 0.0002085 from its proportion measured as of March 31, 2021.

For the year ended December 31, 2022, the Agency recognized pension expense of $11,423. At December 31, 2022, the Agency reported deferred outflows and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,416	$ 4,431
Changes of assumptions	75,287	1,270
Net difference between projected and actual earnings on pension plan investments	-	147,724
Changes in proportion and differences between Agency contributions and proportionate share of contributions	46,996	26,650
Agency contributions subsequent to the measurement date	37,605	-
	$ 163,304	$ 180,075

Agency contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the subsequent year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31,	
2023	$ (4,347)
2024	(10,754)
2025	(32,367)
2026	(6,908)
	$ (54,376)

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2021 valuation, with update procedures used to roll forward the total pension liability to March 31, 2022, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020. These assumptions are:

Inflation - 2.7%
Salary increases - 4.4%
Cost of living adjustment - 1.4% annually
Investment rate of return - 5.9% compounded annually, net of investment expense, including inflation
Mortality - Society of Actuaries' Scale MP-2020
Discount rate - 5.9%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Investment Asset Allocation

Best estimates of arithmetic real rates of return (net of the long-term inflation assumption) for each major asset class and ERS's target asset allocations as of the valuation date are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	32%	3.3%
International equities	15%	5.9%
Private equities	10%	6.5%
Real estate	9%	5.0%
Domestic fixed income securities	23%	-
Short-term	1%	(1.0)%
Other	10%	3.8%-5.8%
	100%	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The Agency's proportionate share of its net pension position is calculated using the discount rate of 5.9%. The impact of using a discount rate that is 1% lower (4.9%) than the current rate would result in a net pension liability of $116,118 and a 1% higher (6.9%) rate would result in a net pension asset of $179,974.

9. Related Party Transactions:

Administration Fees

During 2022, 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.

Other

The Agency and NCDC have entered into various borrowing arrangements with each other. All short-term borrowings are of an interest-free nature. Borrowings are reflected as internal balances in the accompanying financial statements and appropriately eliminated for the total blended presentation.

10. 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.

11. 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.

12. Commitments:

During 2022, NCDC was provided $690,000 of Community Development Block Grant funds to provide subgrants to eligible small businesses. As of December 31, 2022, grants of $248,220 have been disbursed and an additional $425,668 has been committed to specific projects.

NCDC has approved $130,000 of loans that have not closed as of December 31, 2022.

13. Risks and Uncertainties:

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and resulted in a severe disruption of operations for organizations.

During 2020, NCDC was awarded an EDA grant totaling $737,000 as part of the CARES Act. In response, NCDC established the Hospitality Emergency Loan Program (HELP) which provides loans to the hospitality industry payable over 60 months with 12 months of interest-only payments and interest at 1.5%. NCDC received $15,393 and $180,375 in 2022 and 2021 which is included in grant revenue on the accompanying statements of activities.

During 2021, NCDC was awarded a HUD grant totaling $1,767,000 as part of the CARES Act to provide subgrants to eligible small businesses starting in 2022. The entire amount was disbursed in 2022 as grants, consulting costs, and administrative fees.

The extent of the impact of COVID-19 on the Agency's operational and financial performance will continue to depend on further developments, including the duration and spread of the outbreak and its impact on borrowers and vendors, none of which can be predicted.

Required Supplementary Information
Schedule of the Agency's Proportionate Share of the Net Pension Position
New York State and Local Employees' Retirement System

As of the measurement date of March 31,	2022	2021	2020	2019	2018	2017	2016	2015
Agency's proportion of the net pension position	0.0005519%	0.0007604%	0.0007706%	0.0011325%	0.0012323%	0.0011593%	0.0011675%	0.0012186%
Agency's proportionate share of the net pension asset (liability)	$ 45,112	$ (757)	$ (204,072)	$ (80,244)	$ (39,773)	$ (108,929)	$ (187,381)	$ (41,169)
Agency's covered payroll	$ 315,689	$ 384,867	$ 340,518	$ 363,500	$ 365,099	$ 334,923	$ 324,634	$ 357,138
Agency's proportionate share of the net pension position as a percentage of its covered payroll	14.29%	0.20%	59.93%	22.08%	10.89%	32.52%	57.72%	11.53%
Plan fiduciary net position as a percentage of the total pension liability	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

The following is a summary of changes of assumptions:

Inflation	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.4%	4.4%	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2020	MP-2020	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

Data prior to 2015 is unavailable.

Required Supplementary Information
Schedule of Agency Contributions
New York State and Local Employees' Retirement System

For the years ended December 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 37,605	$ 50,488	$ 57,072	$ 51,782	$ 55,331	$ 55,940	$ 51,292	$ 51,573	$ 62,976	$ 73,054
Contribution in relation to the contractually required contribution	(37,605)	(50,488)	(57,072)	(51,782)	(55,331)	(55,940)	(51,292)	(51,573)	(62,976)	(73,054)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Agency's covered payroll	$ 337,579	$ 315,689	$ 384,867	$ 340,518	$ 363,500	$ 365,099	$ 334,923	$ 324,634	$ 357,138	$ 355,308
Contributions as a percentage of covered payroll	11.14%	15.99%	14.83%	15.21%	15.22%	15.32%	15.31%	15.89%	17.63%	20.56%

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

December 31, 2022
(with summarized comparative totals as of December 31, 2021)

	Operating	Multi-Tenant Facility Operating	VIP Multi-Tenant Operating	Total	(As Restated) Total 2021 Summarized
Assets					
Current assets:					
Cash					
Unrestricted	$ 2,087,463	$ 466,645	$ 668,998	$ 3,223,106	$ 2,879,720
Restricted	3,427,740	21,341	17,069	3,466,150	4,043,587
Receivables					
Trade	8,023	2,797	12,491	23,311	181,682
Internal balances	107,838	-	-	107,838	30,000
Leases	-	212,067	162,801	374,868	297,671
Prepaid expenses	27,810	8,725	14,552	51,087	43,248
Due from other operating units	608,043	-	-	608,043	675,604
	6,266,917	711,575	875,911	7,854,403	8,151,512
Noncurrent assets:					
Leases receivable	-	-	270,959	270,959	365,748
Net pension asset	45,112	-	-	45,112	-
Capital assets, net	29,619	631,729	2,224,363	2,885,711	3,030,323
Investment in affiliate	342,500	-	-	342,500	342,500
	417,231	631,729	2,495,322	3,544,282	3,738,571
	6,684,148	1,343,304	3,371,233	11,398,685	11,890,083
Deferred Outflows of Resources:					
Deferred outflows of resources related to pensions	163,304	-	-	163,304	239,614
	$ 6,847,452	$ 1,343,304	$ 3,371,233	$ 11,561,989	$ 12,129,697
Liabilities					
Current liabilities:					
Accounts payable	$ 72,493	40,041	$ 4,700	$ 117,234	$ 82,491
Due to other governments	-	123,299	-	123,299	119,086
Unearned revenue	3,427,740	-	-	3,427,740	4,005,166
Security deposits	-	21,341	17,069	38,410	38,421
Due to other operating units	-	126,803	481,240	608,043	675,604
	3,500,233	311,484	503,009	4,314,726	4,920,768
Long-term liabilities:					
Net pension liability	-	-	-	-	757
	3,500,233	311,484	503,009	4,314,726	4,921,525
Deferred Inflows of Resources					
Deferred inflows of resources related to leases	-	212,067	433,760	645,827	663,419
Deferred inflows of resources related to pensions	180,075	-	-	180,075	236,693
	180,075	212,067	433,760	825,902	900,112
Net Position					
Net investment in capital assets	29,619	631,729	2,224,363	2,885,711	3,030,323
Unrestricted	3,137,525	188,024	210,101	3,535,650	3,277,737
	3,167,144	819,753	2,434,464	6,421,361	6,308,060
	$ 6,847,452	$ 1,343,304	$ 3,371,233	$ 11,561,989	$ 12,129,697

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

For the year ended December 31, 2022
(with summarized comparative totals for December 31, 2021)

	Operating	Multi-Tenant Facility Operating	VIP Multi-Tenant Operating	Eliminations	Total	(As Restated) Total 2021 Summarized
Operating revenues:						
Fees	$ 420,297	$ -	$ -	$ -	$ 420,297	$ 599,686
Lease revenue and common area charges	-	283,414	306,652	(8,962)	581,104	551,586
Administrative fees from affiliates	338,183	-	-	(8,014)	330,169	81,039
Grant revenue	584,580	-	-	-	584,580	443,603
Miscellaneous	12,205	-	-	-	12,205	8,744
Total operating revenues	1,355,265	283,414	306,652	(16,976)	1,928,355	1,684,658
Operating expenses:						
Personnel services	448,520	-	-	-	448,520	400,421
Contractual expenses	202,253	12,226	15,188	-	229,667	204,488
Occupancy	41,338	55,692	89,313	(16,976)	169,367	126,626
Employee benefits	93,532	-	-	-	93,532	94,003
Grant expense	584,580	-	-	-	584,580	443,603
Depreciation	2,693	79,664	125,167	-	207,524	205,088
Total operating expenses	1,372,916	147,582	229,668	(16,976)	1,733,190	1,474,229
Operating income (loss)	(17,651)	135,832	76,984	-	195,165	210,429
Nonoperating revenues (expenses):						
Interest income	3,716	22,125	15,594	-	41,435	46,409
Transfer to Niagara Frontier Transportation Authority	-	(123,299)	-	-	(123,299)	(119,086)
Internal transfer	100,000	-	(100,000)	-	-	-
Income from joint venture	123,299	(123,299)	-	-	-	-
Total nonoperating revenues (expenses)	227,015	(224,473)	(84,406)	-	(81,864)	(72,677)
Net income (loss)	209,364	(88,641)	(7,422)	-	113,301	137,752
Net position - beginning	2,957,780	908,394	2,441,886	-	6,308,060	6,170,308
Net position - ending	$ 3,167,144	$ 819,753	$ 2,434,464	$ -	$ 6,421,361	$ 6,308,060

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing 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	$ 2,035,908
U.S. Department of Commerce:			
Passed through Niagara County			
Economic Adjustment Assistance	11.307	Various	532,001
Total Expenditures of Federal Awards			$ 2,567,909

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 (SEFA) 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 SEFA.

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

The Agency was awarded $737,000 ($67,000 for administrative costs) through the U.S Economic Development Administration (EDA) during 2020 from the Supplemental Appropriations for Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The award is 100% funded through EDA. The amount on the SEFA is calculated as follows:

Balance of loans outstanding	$	400,739
Cash		115,869
Administrative expenses		15,393
	$	532,001

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 programs 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.

Indirect Costs

The Agency and NCDC have elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. Furthermore, neither the Agency nor NCDC has received Federal awards including indirect cost reimbursement for the year ended December 31, 2022.

2. Revolving Loan Funds:

Loans outstanding at December 31, 2022 for NCDC’s federally restricted EDA revolving loan fund amounted to $400,739.

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

The Board of Directors
Niagara County Industrial Development Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the balance sheet of Niagara County Industrial Development Agency (the Agency), a business-type activity, as of December 31, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows, as applicable, for the year then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 22, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Lumsden & McCormick, LLP

March 22, 2023

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Niagara County Industrial Development Agency

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Niagara County Industrial Development Agency (the Agency), a business-type activity, with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2022. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Agency's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lumsden & McCormick, LLP

March 22, 2023

Schedule of Findings and Questioned Costs

For the year ended December 31, 2022

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	*Unmodified*
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:	*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number	Amount
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	$ 2,035,908

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II. Financial Statement Findings

No findings were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

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

The Board of Directors
Niagara County Industrial Development Agency

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Niagara County Industrial Development Agency (the Agency), a business-type activity, as of December 31, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated March 22, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the Agency failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2022. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Agency's noncompliance with the above rules and regulations.

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

Lumsden & McCormick, LLP

March 22, 2023