

**TOWN OF AMHERST
INDUSTRIAL DEVELOPMENT AGENCY**

**Financial Statements
as of December 31, 2017 and 2016
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

**TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
DECEMBER 31, 2017 AND 2016
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INDEPENDENT AUDITOR'S REPORT

March 16, 2018

To the Board of Directors of the
Town of Amherst Industrial Development Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Amherst Industrial Development Agency (the Agency), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. Schedules 1-2 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2018 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

The following Management's Discussion and Analysis (MD&A) of the Town of Amherst Industrial Development Agency's (the Agency) financial position provides an overview of Agency's financial activities for the years ended December 31, 2017 and 2016. The MD&A should be read in conjunction with Agency's financial statements and related notes, which follow the MD&A.

FINANCIAL HIGHLIGHTS

- The assets of the Agency exceeded its liabilities at December 31, 2017 and 2016 by \$2,008,210 and \$1,783,441, respectively.
- The Agency's net position increased by \$224,769 in 2017 and decreased by \$523,181 in 2016, as a result of 2017 and 2016 operations.
- The Agency's total revenues (operating and non-operating) were \$753,139 and \$404,469 in 2017 and 2016, respectively.
- The Agency's total expenses were \$528,370 and \$927,650 in 2017 and 2016, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The statement of net position and the statement of revenue, expenses, and change in net position report information about the Agency as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Agency's net position and changes in them from one year to the next. The Agency's net position, the difference between assets and liabilities, is one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net position are one indicator of whether its financial health is improving or deteriorating. Consideration should also be given to other factors, such as changes in the Agency's fee income and the fluctuation of the Agency's expenses, to assess the overall health of the Agency.

NOTES TO FINANCIAL STATEMENTS

The financial statements also include notes that explain the information in the financial statements. They are essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

The analysis below summarizes the statements of net position (Table 1) and changes in net position (Table 2) of the Agency as of and for the years ended December 31, 2017, 2016 and 2015.

Table 1 – Statements of Net Position (000s omitted)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS:			
Current assets	\$ 1,759	\$ 1,571	\$ 2,031
Capital assets, net	611	631	656
Restricted and other assets	<u>114</u>	<u>115</u>	<u>157</u>
Total assets	<u>2,484</u>	<u>2,317</u>	<u>2,844</u>
LIABILITIES:			
Current liabilities	100	107	64
Long-term liabilities	<u>376</u>	<u>426</u>	<u>474</u>
Total liabilities	<u>476</u>	<u>533</u>	<u>538</u>
NET POSITION:			
Net investment in capital assets	185	158	138
Restricted	64	65	107
Unrestricted	<u>1,759</u>	<u>1,561</u>	<u>2,061</u>
Total net position	<u>\$ 2,008</u>	<u>\$ 1,784</u>	<u>\$ 2,306</u>

A large portion of the Agency's net position (87.6% in 2017, 87.5% in 2016 and 89.3% in 2015) is unrestricted and available to meet ongoing and future liabilities. The increase in overall net position from 2016 to 2017 is due to a combination of an increase in administrative fees generated during the year, as well as a decrease in legal expenses, salaries and benefits during the year.

Long-term liabilities consist mainly of the Agency's mortgage on its office building and continue to decline as payments are made.

Overall, the Agency continues to report a positive net position.

FINANCIAL ANALYSIS (Continued)

Table 2 shows the changes in net position for the years ended December 31, 2017, 2016 and 2015.

Table 2 – Changes in Net Position (000s omitted)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUES:			
Administrative fees	\$ 341	\$ 399	\$ 942
Application fees	2	2	6
Other and interest income	<u>410</u>	<u>3</u>	<u>2</u>
Total revenues	<u>753</u>	<u>404</u>	<u>950</u>
EXPENSES:			
Salaries and benefits	314	520	514
Town of Amherst - CDBG Funds	-	42	40
Mortgage interest	27	30	35
Professional fees	53	181	26
Depreciation	27	28	27
Other general and administrative	<u>107</u>	<u>126</u>	<u>134</u>
Total expenses	<u>528</u>	<u>927</u>	<u>776</u>
Change in net position	<u>\$ 225</u>	<u>\$ (523)</u>	<u>\$ 174</u>

Agency revenues in 2017 increased from 2016 due to an increase in the level of lease agreements, new installment agreements, second mortgage agreements, and refinancing transactions in 2017 when compared with 2016.

Expenses decreased in 2017 approximately 43% mainly due to a combination of a decrease in legal fees and salaries and benefits.

FUTURE FACTORS

The Tax Cut and Jobs Act, signed into law by the President of the United States at the end of 2017, eliminated the ability to issue tax-exempt advance refunding bonds (including governmental advance refunding bonds and qualified 501(c)(3) advance refunding bonds) after December 31, 2017. Additionally, the drop in the corporate income tax rate to 21 percent from 35 percent dims the attraction of bonds for banks and insurance companies as there is less tax liability to acquire credits for.

The Amherst Development Corporation, and by extension the Amherst Industrial Development Agency facilitates advanced refunding on projects, including two such bonds that closed in 2017. It is too early to see what the long-term effects are, or what form bonds will take in future years, but it could lead to a decline in this revenue source for the Agencies.

On the State Level, advocates for requiring prevailing wages to be paid on any project that receives state or local incentives is still a possibility although no specific legislation is pending. An independent analysis concluded that this provision would add approximately 28 percent to the cost of an economic development project upstate, drive-up the cost of doing business in the state even higher, and thereby make the entire state less competitive. The increase in construction would effectively eliminate the benefit that an IDA provides, which is usually between 10-20% of total investment.

At the local level, the Town is entering a period of transition, as highlighted by an economic study for the Town of Amherst (known as the Versel Report) completed in 2016. The office market, while stable and realized a decline in vacancy in 2017, is still subject to market conditions driven by younger workers forcing employers to provide for mixed use options that present vibrant experiences. This market trend, and the lack of large available tracts of land for new buildings, is tempering opportunities for new company locations and expansion. Efforts to repurpose space and overall redevelopment of areas in a state of market failure, such as several big box retail outlets, is critical to the Town's finances and fits with the Agency's mission.

CONTACTING AGENCY'S ADMINISTRATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to show the accountability for the money received. If you have questions about this report or need additional financial information, contact the Town of Amherst Industrial Development Agency, 4287 Main Street, Amherst, NY 14226.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF NET POSITION DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 1,678,763	\$ 1,565,845
Accounts receivable	45,000	-
Accounts receivable - related party	29,620	-
Prepaid expenses	<u>5,027</u>	<u>5,027</u>
Total current assets	1,758,410	1,570,872
CAPITAL ASSETS, NET	610,987	631,395
NOTES RECEIVABLE, RELATED PARTY	50,000	50,000
RESTRICTED CASH	<u>64,343</u>	<u>64,937</u>
Total assets	<u>2,483,740</u>	<u>2,317,204</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	49,371	60,061
Current portion of mortgage payable	<u>50,227</u>	<u>47,309</u>
Total current liabilities	99,598	107,370
MORTGAGE PAYABLE, less current portion	<u>375,932</u>	<u>426,393</u>
Total liabilities	<u>475,530</u>	<u>533,763</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	184,828	157,693
RESTRICTED	64,343	64,937
UNRESTRICTED	<u>1,759,039</u>	<u>1,560,811</u>
Total net position	<u>\$ 2,008,210</u>	<u>\$ 1,783,441</u>

The accompanying notes are an integral part of these statements.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

**STATEMENTS OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
OPERATING REVENUE:		
Administrative fees	\$ 340,674	\$ 398,991
Application fees	2,000	2,000
Other revenue	<u>409,582</u>	<u>2,400</u>
Total operating revenue	<u>752,256</u>	<u>403,391</u>
OPERATING EXPENSES:		
Salaries and benefits, net	<u>314,354</u>	<u>519,894</u>
General and administrative -		
Professional fees	52,566	181,379
Building mortgage interest	27,153	29,932
Buffalo Niagara Enterprise participation	20,000	-
Maintenance and landscaping	17,018	17,692
Insurance	15,427	19,372
Special events and projects	8,475	33,322
Real property taxes	7,567	8,343
Dues and subscriptions	6,867	7,412
Telephone	6,509	7,012
Utilities	5,630	6,209
Office supplies and postage	4,799	11,839
Equipment rental and repair	4,664	4,943
Meetings and conferences	2,529	2,784
Auto and travel	1,014	1,073
Education	670	1,652
Marketing	-	4,483
Town of Amherst - CDBG Funds	<u>-</u>	<u>42,289</u>
Total general and administrative	<u>180,888</u>	<u>379,736</u>
Depreciation	<u>27,128</u>	<u>28,020</u>
Total operating expenses	<u>522,370</u>	<u>927,650</u>
Operating income (loss)	<u>229,886</u>	<u>(524,259)</u>
NON-OPERATING REVENUE (EXPENSES):		
Interest income	883	1,078
Transfer to related party	<u>(6,000)</u>	<u>-</u>
Total non-operating revenue (expenses)	<u>(5,117)</u>	<u>1,078</u>
CHANGE IN NET POSITION	224,769	(523,181)
NET POSITION - beginning of year	<u>1,783,441</u>	<u>2,306,622</u>
NET POSITION - end of year	<u>\$ 2,008,210</u>	<u>\$ 1,783,441</u>

The accompanying notes are an integral part of these statements.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Fees and other revenue received	\$ 677,636	\$ 531,631
Payments to employees and vendors	<u>(505,932)</u>	<u>(859,736)</u>
Net cash flow from operating activities	<u>171,704</u>	<u>(328,105)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to property and equipment	(6,720)	(3,015)
Principal payments of long-term debt	<u>(47,543)</u>	<u>(44,764)</u>
Net cash flow from capital and related financing activities	<u>(54,263)</u>	<u>(47,779)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest income	883	1,078
Transfer to related party	(6,000)	-
Withdrawals from restricted deposits	<u>594</u>	<u>42,303</u>
Net cash flow from investing activities	<u>(4,523)</u>	<u>43,381</u>
CHANGE IN CASH	112,918	(332,503)
CASH - beginning of year	<u>1,565,845</u>	<u>1,898,348</u>
CASH - end of year	<u>\$ 1,678,763</u>	<u>\$ 1,565,845</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 229,886	\$ (524,259)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	27,128	28,020
Changes in:		
Receivables	(74,620)	128,240
Prepaid expenses	-	(163)
Accounts payable and accrued expenses	<u>(10,690)</u>	<u>40,057</u>
Net cash flow from operating activities	<u>\$ 171,704</u>	<u>\$ (328,105)</u>

The accompanying notes are an integral part of these statements.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

1. AGENCY

The Town of Amherst Industrial Development Agency (the Agency) is a public benefit corporation created in 1973 in accordance with Article 18-A of New York State (the State) General Municipal Law for the purpose of encouraging financially sound companies to locate and expand in the Town of Amherst, New York (the Town). The Agency is exempt from federal, state and local income taxes. The Agency is a separate entity and operates independently of the Town.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds.

Basis of Presentation

GASB requires the classification of net position into three classifications defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if applicable. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted net position - This component of net position consists of amounts which have external constraints placed on their use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of net position that do not meet the definition of "net investment in capital assets," or "restricted".

When both restricted and unrestricted resources are available for use for the same purpose, the Agency uses restricted resources first and then unrestricted resources, as needed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Activities

- *Industrial Development Revenue Bonds*

Industrial development revenue bonds issued by the Agency are secured by the properties which are leased to companies and are retired by lease payments. The conduit debt arising from bonds and notes are not obligations of the Agency. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its financial statements since its primary function is to facilitate the financing between the borrowing companies and the bond holders. The Agency receives bond administrative fees from the borrowing companies for providing this service. Such fees are recognized immediately upon issuance of the funds. At December 31, 2017 and 2016, there were no tax-exempt bonds outstanding with an aggregate amount payable.

- *Lease, Second and Collateral Mortgage Agreements and Other Financing Programs*

Lease agreements are used for projects when no financing is needed. Typically the project is financed internally by the company or developer. Second and collateral mortgage agreements are a financing tool used only when there is a mortgage already on the property. There are typically two types of second mortgages available: (1) a fixed asset second mortgage which is used for tenant improvements and/or equipment when the builder/owner needs to borrow additional money; and (2) an equity asset mortgage which is used for permanent working capital when the borrower/owner borrows the appreciated value or equity in an existing building. There are a variety of other financing programs, such as equipment purchase mortgages, leasehold mortgages, installment sales, acquisitions and expansions that the Agency offers to participating companies.

The Agency does not record the assets or liabilities resulting from these activities in its financial statements since its primary function is to arrange the financing. Funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives administrative fees from the borrowing companies. Such fees are recognized when earned.

- *Lease with Mortgage Transactions*

Lease agreements with mortgages are used where financing is required but the borrower and lender do not want to enter into a bond transaction. In lease with mortgage transactions, the Agency signs the mortgage to subject its interest in the real property to the lien of the mortgage but does not execute and deliver a bond. The borrower company signs a note and joins in signing the mortgage with the Agency. Agency participation in the mortgage provides for the mortgage tax exemption. Agency policy has been to not take fee title to any additional real estate and instead for all new transactions involving real estate, the Agency takes a leasehold interest in the real estate which is sufficient to provide for real property tax abatement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Activities (Continued)

- *Payments in Lieu of Taxes*

The Agency has entered into contractual arrangements with each of the client companies that have outstanding industrial development revenue bonds, whereby the client companies make payments in lieu of taxes to the Agency. Upon receipt of such payments, the Agency remits them to various taxing jurisdictions (Town of Amherst, County of Erie and various school districts) within the Town. The Agency does not reflect transactions regarding payments in lieu of taxes in its financial statements since its function in this area is to collect and remit the payment. The Agency does not charge a fee for this service. The Agency collected and remitted \$4,097,177 and \$4,506,537 of payments in lieu of taxes for the years ended December 31, 2017 and 2016, respectively.

Related Parties

The Agency is related to the Town of Amherst Development Corporation (the Corporation), a not-for-profit corporation, through common membership of its Board of Directors.

Cash

Cash includes cash on hand, demand deposits, money market funds, and savings accounts.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the use of the allowance method for recording bad debts. However, the use of the direct write-off method is not materially different from the results that would be obtained under the allowance method. Amounts for which no payments have been received for several months are considered delinquent and when customary collection efforts are exhausted, the account is written-off.

Capital Assets

Assets purchased or acquired with a useful life exceeding one year are capitalized. Contributed fixed assets are recorded at fair value at the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. The Agency depreciates assets on the straight-line basis over the asset's estimated useful lives ranging from 3 to 10 years.

Revenue Recognition

Operating revenue consists of revenue from fees earned on new projects when bonds are issued, mortgages are issued or a refinancing occurs. The Agency charges an amount equal to 1% of the project amount. For second mortgages, the Agency charges an administrative fee of .50%. For lease assignments and assumptions, the Agency charges an administrative fee of 1%. For the tax exempt financing, the Agency charges an administrative fee of .50%. Fee income is recorded as revenue when the financing closes, regardless of when the related cash is received. For projects receiving a sales tax letter, 25% of the fee is recognized as revenue when the sales tax letter is issued. Fee income received prior to closing is recorded as deferred revenue. The Agency defines non-operating revenue as interest earnings.

Income Taxes

The Agency is a not-for-profit public benefit corporation and is exempt from income taxes under the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Agency's investment policies are governed by State statutes. In addition, the Agency has its own written investment policy. Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC)-insured commercial banks or trust companies located within the State and which have a branch office located within the Town. The Agency is authorized to use only demand accounts and certificates of deposit. Collateral is required for demand 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.

Cash

At December 31, 2017 and 2016, the Agency's cash was covered by FDIC insurance, or by eligible securities held in the Agency's name by a third-party custodial bank or by the bank's trust department. The Agency's deposits consisted of the following at December 31:

	<u>2017</u>		<u>2016</u>	
	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Checking accounts	\$ 73,509	\$ 57,401	\$ 44,301	\$ 25,885
Money market account	<u>1,685,505</u>	<u>1,685,505</u>	<u>1,539,760</u>	<u>1,539,760</u>
	<u>\$ 1,759,014</u>	<u>\$ 1,742,906</u>	<u>\$ 1,584,061</u>	<u>\$ 1,565,645</u>

These deposits were insured or collateralized as follows:

	<u>2017</u>	<u>2016</u>
FDIC insurance	\$ 387,852	\$ 294,301
Collateralized by third party	<u>1,398,586</u>	<u>1,315,556</u>
Total FDIC insurance and collateral	<u>\$ 1,786,438</u>	<u>\$ 1,609,857</u>

Restricted cash and equivalents at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Funds restricted for mortgage escrow - cash on deposit - escrow accounts	<u>64,343</u>	<u>64,937</u>
	<u>\$ 64,343</u>	<u>\$ 64,937</u>

The Agency has also designated \$100,000 of unrestricted fund balance at December 31, 2017 and 2016 to be used for future investments.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital assets being depreciated:				
Leasehold improvements	22,710	-	-	22,710
Equipment	180,602	6,720	-	187,322
Building	719,835	-	-	719,835
Total capital assets being depreciated	<u>923,147</u>	<u>6,720</u>	<u>-</u>	<u>929,867</u>
Less: Accumulated depreciation:				
Leasehold improvements	(16,397)	(1,470)	-	(17,867)
Fixed equipment	(164,593)	(7,496)	-	(172,089)
Buildings	(210,762)	(18,162)	-	(228,924)
Total accumulated depreciation	<u>(391,752)</u>	<u>(27,128)</u>	<u>-</u>	<u>(418,880)</u>
Total capital assets being depreciated, net	<u>531,395</u>	<u>(20,408)</u>	<u>-</u>	<u>510,987</u>
Capital assets, net	<u>\$ 631,395</u>	<u>\$ (20,408)</u>	<u>\$ -</u>	<u>\$ 610,987</u>

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital assets being depreciated:				
Leasehold improvements	22,710	-	-	22,710
Equipment	177,587	3,015	-	180,602
Building	719,835	-	-	719,835
Total capital assets being depreciated	<u>920,132</u>	<u>3,015</u>	<u>-</u>	<u>923,147</u>
Less: Accumulated depreciation:				
Leasehold improvements	(14,661)	(1,736)	-	(16,397)
Fixed equipment	(156,471)	(8,122)	-	(164,593)
Buildings	(192,600)	(18,162)	-	(210,762)
Total accumulated depreciation	<u>(363,732)</u>	<u>(28,020)</u>	<u>-</u>	<u>(391,752)</u>
Total capital assets being depreciated, net	<u>556,400</u>	<u>(25,005)</u>	<u>-</u>	<u>531,395</u>
Capital assets, net	<u>\$ 656,400</u>	<u>\$ (25,005)</u>	<u>\$ -</u>	<u>\$ 631,395</u>

5. RELATED PARTIES

As discussed further in Note 9, at December 31, 2017 and 2016, the Agency had a \$50,000 non-interest bearing note receivable from the Corporation.

In addition, the Agency provides office space and personnel at no cost to the Corporation. The Corporation reimburses the Agency for the use of office space and personnel through its management fee.

The Agency transferred \$6,000 to the Corporation during the year ended December 31, 2017 and no transfers occurred during the year ended December 31, 2016.

6. MORTGAGE PAYABLE

The Agency's mortgage with KeyBank amounted to \$426,159 and \$473,702 at December 31, 2017 and 2016, respectively. The mortgage bore interest at 6% per year and was payable in 60 monthly installments of \$6,225 comprising of principal and interest through December 31, 2014. At January 1, 2015, the interest rate adjusted daily to 2% above the Regular Fixed Advance Rate offered by the Federal Home Loan Bank of New York for instruments having a term of five years. However, in no event will the rate fall below 6%. Payments will be made in 60 monthly installments based on a 10-year amortization of the outstanding balance at January 1, 2015. Amounts borrowed bear interest at 6% at December 31, 2017 and 2016. A balloon payment for the remaining balance is due in January 2020. The terms of the mortgage require the Agency to maintain a restricted deposit with the bank which amounted to \$64,343 and \$64,937 at December 31, 2017 and 2016.

The mortgage requires the Agency to maintain a minimum debt coverage ratio of 1.2 to 1. The Agency met the minimum debt coverage covenant as of December 31, 2017 and obtained a waiver related to the minimum debt coverage covenant as of December 31, 2016.

6. MORTGAGE PAYABLE (Continued)

The aggregate maturity of the mortgage payable for the years ending December 31 is as follows:

2018	\$ 50,227
2019	53,325
2020	<u>322,607</u>
	<u>\$ 426,159</u>

Long-term debt relating to the Agency consisted of the following at December 31,

	Beginning Balance <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Due Within <u>One Year</u>	Long-term Portion <u>2017</u>
Mortgage – KeyBank	\$ <u>473,702</u>	\$ <u>-</u>	\$ <u>(47,543)</u>	\$ <u>(50,227)</u>	\$ <u>375,932</u>

	Beginning Balance <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Due Within <u>One Year</u>	Long-term Portion <u>2016</u>
Mortgage – KeyBank	\$ <u>518,466</u>	\$ <u>-</u>	\$ <u>(44,764)</u>	\$ <u>(47,309)</u>	\$ <u>426,393</u>

Cash paid for interest amounted to \$27,153 and \$29,932 for the years ended December 31, 2017 and 2016, respectively.

7. DEFINED CONTRIBUTION PLAN

The Agency sponsors a defined contribution pension plan covering all employees who are age 21 or older and have completed one year of service. Contributions to the plan are made by the Agency at the rate of 7.7% of the employee's compensation. Employees are required to contribute at least 3% but not over 10% of their compensation. The total amount of expense relating to the plan incurred by the Agency amounted to \$17,998 and \$30,488 during the years ended December 31, 2017 and 2016, respectively.

8. COMMITMENTS

The Agency has entered into an agreement with several other entities to stimulate economic development through debt or equity investment in technology start-ups in Western New York. This is being done through the Western New York Business Development Fund. The agreement calls for the Agency to make a maximum commitment to fund investments in the amount of \$150,000. At December 31, 2017 and 2016, the Agency has funded a total of \$50,000. This has been accomplished by the Agency loaning the funds to the Corporation, which in turn made investment in local businesses.

INDEPENDENT AUDITOR'S 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

March 16, 2018

To the Board of Directors of
Town of Amherst Industrial Development Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Amherst Industrial Development Agency (the Agency) as of and for the year ended December 31, 2017, 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 16, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 may exist that have not been identified.

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(Continued)

INDEPENDENT AUDITOR'S 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*

(Continued)

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE 1

SCHEDULE OF FINANCING ACTIVITY
1979 - 2017

	<u>Date Issued</u>	Basis for Computing Administrative Fees
INDUSTRIAL DEVELOPMENT REVENUE BONDS	1979	\$ 2,090,000
	1980	10,599,000
	1981	4,030,000
	1982	5,375,000
	1983	4,305,000
	1984	24,809,665
	1985	28,593,000
	1986	20,565,250
	1987	26,520,200
	1988	50,173,000
	1989	31,270,000
	1990	17,217,000
	1991	28,473,300
	1992	13,541,452
	1993	20,697,393
	1994	19,381,125
	1995	16,700,291
	1996	45,622,164
	1997	67,256,562
	1998	34,667,822
	1999	58,229,176
	2000	81,840,506
	2001	31,662,263
	2002	20,975,000
	2003	<u>7,985,516</u>
Total industrial development revenue bonds		<u>672,579,685</u>
LEASE AGREEMENTS	1988	15,200,000
	1989	9,150,421
	1990	7,001,692
	1991	15,935,832
	1993	1,306,428
	1994	25,928,673
	1995	750,000
	1997	500,000
	1999	1,503,455
	2000	19,660,620
	2001	2,577,833
	2002	41,792,658
	2003	6,503,499
	2004	32,290,592
	2005	52,124,726
	2006	41,785,178
	2007	35,484,598
	2008	32,236,000
	2010	14,960,000
	2011	28,990,300
	2012	43,605,993
	2013	48,461,796
	2014	51,307,547
	2015	70,097,325
	2016	17,549,000
	2017	<u>16,784,052</u>
Total lease agreements		<u>633,488,218</u>

(Continued)

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE 1

SCHEDULE OF FINANCING ACTIVITY
1979 - 2017

	<u>Date Issued</u>	Basis for Computing Administrative Fees
SECOND MORTGAGE AGREEMENTS	1988	1,110,000
	1989	250,000
	1990	1,585,000
	1992	125,000
	1995	95,000
	1996	1,985,000
	1997	1,000,000
	2001	287,000
	2002	800,000
	2003	4,655,957
	2004	2,600,000
	2005	235,000
	2006	874,000
	2007	2,662,798
	2008	3,625,984
	2010	1,150,000
	2011	2,872,551
	2012	124,309
	2017	<u>500,000</u>
Total second mortgage agreements		<u>26,537,599</u>
THIRD MORTGAGE AGREEMENTS	2010	2,800,000
	2011	<u>700,000</u>
Total third mortgage agreements		<u>3,500,000</u>
MORTGAGE AND MODIFICATION TRANSACTIONS	2009	<u>250,000</u>
ASSIGNMENT OF LEASES	2002	5,048,750
	2004	17,029,930
	2005	13,861,726
	2006	10,500,000
	2007	12,967,258
	2012	3,800,000
	2013	6,005,000
	2016	<u>23,073,623</u>
Total assignment of leases		<u>92,286,287</u>
COLLATERAL MORTGAGES	1991	200,000
	1992	530,000
	1994	673,000
	1996	300,000
	2003	<u>1,576,915</u>
Total collateral mortgages		<u>3,279,915</u>
EQUIPMENT PURCHASE MORTGAGES	1994	1,850,000
	1995	<u>824,064</u>
Total equipment purchase mortgages		<u>2,674,064</u>

(Continued)

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE 1

SCHEDULE OF FINANCING ACTIVITY
1979 - 2017

	<u>Date Issued</u>	Basis for Computing Administrative Fees
LEASEHOLD IMPROVEMENTS	1994	<u>1,020,000</u>
INSTALLMENT SALES	1991	466,494
	1993	312,000
	1994	303,113
	1996	3,854,000
	1997	918,631
	1998	2,361,315
	2000	61,069,108
	2001	2,338,546
	2003	1,757,976
	2004	12,763,495
	2005	8,474,818
	2006	9,830,000
	2007	32,085,780
	2008	18,870,000
	2009	15,443,508
	2010	6,580,000
	2011	28,500,000
	2012	25,197,500
	2013	85,000,000
	2015	32,800,000
	2017	<u>11,000,000</u>
Total installment sales		<u>359,926,284</u>
ACQUISITIONS	1994	<u>2,865,700</u>
EXPANSIONS	1995	<u>1,300,000</u>
REFINANCING TRANSACTIONS	2001	8,600,000
	2002	960,000
	2003	559,750
	2004	5,491,750
	2005	26,384,367
	2006	20,327,894
	2007	24,808,265
	2008	34,860,000
	2009	5,380,779
	2012	7,380,737
	2013	1,495,802
	2014	2,611,953
	2015	28,844,297
	2017	<u>200,000</u>
Total refinancing transactions		<u>167,905,594</u>
TAX EXEMPT BONDS	2007	<u>14,860,000</u>
PROJECTS WITH PREDETERMINED FEES	2001	<u>46,121,000</u>
PROJECTS WITH PREDETERMINED FEES	2007	<u>866,686,576</u>
Total basis for computing administrative fee		<u>\$ 2,895,280,922</u>

**SCHEDULE OF DETAILED FINANCING ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Date Issued</u>	Basis for Computing Administrative <u>Fees</u>
LEASE AGREEMENTS:		
Phoenix Holdings of WNY, LLC/Kitchen World Dist., Inc.	8/17	\$ 726,613
GEICO	5/17	4,548,160
2500 Kensington, LLC	6/17	5,509,279
Northpointe Commerce Park, LLC	12/17	<u>6,000,000</u>
		<u>16,784,052</u>
SECOND MORTGAGE AGREEMENT:		
6325 Main Street, LLC	1/17	<u>500,000</u>
INSTALLMENT SALES:		
Ingram Micro, Inc.	7/17	<u>11,000,000</u>
REFINANCING TRANSACTIONS:		
Iskalo Office Holdings IV, LLC	2/17	<u>200,000</u>
Total 2017 Projects		<u>\$ 28,484,052</u>