

**TOWN OF AMHERST  
INDUSTRIAL DEVELOPMENT AGENCY**

**Financial Statements  
as of December 31, 2016 and 2015  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

**TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY**  
**DECEMBER 31, 2016 AND 2015**  
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## INDEPENDENT AUDITOR'S REPORT

March 30, 2017

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, 2016 and 2015, 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 opinions.

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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, 2016 and 2015, 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 audit was 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 30, 2017 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, 2016 AND 2015**

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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, 2016 and 2015. 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, 2016 and 2015 by \$1,783,441 and \$2,306,622, respectively.
- The Agency's net position decreased by \$523,181 in 2016 and increased by \$161,866 in 2015, as a result of 2016 and 2015 operations.
- The Agency's total revenues (operating and non-operating) were \$404,469 and \$950,189 in 2016 and 2015, respectively.
- The Agency's total expenses were \$927,650 and \$788,323 in 2016 and 2015, 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, 2016, 2015 and 2014.

**Table 1 - Statements of Net Position (000s omitted)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets:			
Current assets	\$ 1,571	\$ 2,031	\$ 1,838
Capital assets, net of accumulated depreciation	631	656	681
Restricted and other assets	<u>115</u>	<u>157</u>	<u>197</u>
Total assets	<u>2,317</u>	<u>2,845</u>	<u>2,716</u>
Liabilities:			
Current liabilities	107	64	52
Long-term liabilities	<u>426</u>	<u>474</u>	<u>519</u>
Total liabilities	<u>533</u>	<u>538</u>	<u>571</u>
Net position:			
Net investment in capital assets	158	138	121
Restricted	65	107	147
Unrestricted	<u>1,561</u>	<u>2,061</u>	<u>1,877</u>
Total net position	<u>\$ 1,784</u>	<u>\$ 2,307</u>	<u>\$ 2,145</u>

A large portion of the Agency's net position (87.5% in 2016, 89.3% in 2015 and 87.5% in 2014) is unrestricted and available to meet ongoing and future liabilities. The decrease in overall net position is due to the decrease in administrative fees generated coupled with an increase in legal fees.

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, 2016, 2015 and 2014.

**Table 2 - Changes in Net Position (000s omitted)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues:			
Administrative fees	\$ 399	\$ 942	\$ 678
Application fees	2	6	7
Other and interest income	<u>3</u>	<u>2</u>	<u>3</u>
Total revenues	<u>404</u>	<u>950</u>	<u>688</u>
Expenses:			
Salaries and benefits	520	526	514
Town of Amherst - CDBG Funds	42	40	40
Mortgage interest	30	33	35
Professional fees	181	43	26
Depreciation	28	28	27
Other general and administrative	<u>125</u>	<u>118</u>	<u>134</u>
Total expenses	<u>927</u>	<u>788</u>	<u>776</u>
Change in net position	<u>\$ (523)</u>	<u>\$ 162</u>	<u>\$ (89)</u>

Agency revenues in 2016 decreased from 2015 due to a decrease in the level of lease agreements and no new installment agreements or refinancing transactions in 2016 when compared with 2015.

Expenses increased in 2016 approximately 18% mainly due to increased legal fees.

## **FUTURE FACTORS**

A bill that would require prevailing wages to be paid on any project that receives a penny of state or local incentives has been introduced in both houses of the New York State Legislature. 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, an economic study for the Town of Amherst was completed in 2016 that updated Comprehensive Plan data and provided an opportunities and risk analysis of the current physical and business environment in the community. The types of space companies are looking to locate and expand to are different than they were a decade or more ago. Driven by younger workers, employers are looking for mixed use options that present vibrant experiences. The proverbial live, work and play location.

Amherst's office and industrial stock is aging in certain parks, leading to increases in vacancy as companies downsize, close or move out of the area. A partnership of many interested parties is necessary to effect change in zoning and development to respond to current market demand. The Town of Amherst's interest in changing its zoning to accommodate mixed use activity in traditional office and industrial parks is critical to moving this community forward and reversing vacancy. Repurposing space is especially critical as more commercial property is rezoned for residential uses throughout the Town.

## **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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 1,565,845	\$ 1,898,348
Accounts receivable	-	128,240
Prepaid expenses	<u>5,027</u>	<u>4,864</u>
Total current assets	<u>1,570,872</u>	<u>2,031,452</u>
CAPITAL ASSETS, NET	<u>631,395</u>	<u>656,400</u>
NOTES RECEIVABLE, RELATED PARTY	<u>50,000</u>	<u>50,000</u>
RESTRICTED ASSETS:		
Restricted for future industrial development loans	-	42,304
Cash restricted for mortgage escrow	<u>64,937</u>	<u>64,936</u>
Total restricted assets	<u>64,937</u>	<u>107,240</u>
Total assets	<u>2,317,204</u>	<u>2,845,092</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	60,061	20,004
Current portion of mortgage payable	<u>47,309</u>	<u>44,561</u>
Total current liabilities	107,370	64,565
MORTGAGE PAYABLE, less current portion	<u>426,393</u>	<u>473,905</u>
Total liabilities	<u>533,763</u>	<u>538,470</u>
<b>NET POSITION</b>		
NET INVESTMENT IN CAPITAL ASSETS	157,693	137,934
RESTRICTED	64,937	107,240
UNRESTRICTED	<u>1,560,811</u>	<u>2,061,448</u>
Total net position	<u>\$ 1,783,441</u>	<u>\$ 2,306,622</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, 2016 AND 2015

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	<u>2016</u>	<u>2015</u>
OPERATING REVENUE:		
Administrative fees	\$ 398,991	\$ 942,284
Application fees	2,000	6,000
Other revenue	<u>2,400</u>	<u>884</u>
Total operating revenue	<u>403,391</u>	<u>949,168</u>
OPERATING EXPENSES:		
Salaries and benefits, net	<u>519,894</u>	<u>526,367</u>
General and administrative -		
Professional fees	181,379	43,285
Town of Amherst - CDBG Funds	42,289	40,000
Special events and projects	33,322	12,745
Building mortgage interest	29,932	32,501
Insurance	19,372	18,423
Maintenance and landscaping	17,692	15,589
Office supplies and postage	11,839	11,110
Real property taxes	8,343	8,352
Dues and subscriptions	7,412	11,197
Telephone	7,012	8,634
Utilities	6,209	7,035
Equipment rental and repair	4,943	5,539
Marketing	4,483	3,799
Meetings and conferences	2,784	4,292
Education	1,652	675
Auto and travel	1,073	457
Buffalo Niagara Enterprise participation	<u>-</u>	<u>10,000</u>
Total general and administrative	<u>379,736</u>	<u>233,633</u>
Depreciation	<u>28,020</u>	<u>28,323</u>
Total operating expenses	<u>927,650</u>	<u>788,323</u>
Operating income (loss)	(524,259)	160,845
NON-OPERATING ACTIVITIES - interest income	<u>1,078</u>	<u>1,021</u>
CHANGE IN NET POSITION	(523,181)	161,866
NET POSITION - beginning of year	<u>2,306,622</u>	<u>2,144,756</u>
NET POSITION - end of year	<u>\$ 1,783,441</u>	<u>\$ 2,306,622</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Fees and other revenue received	\$ 531,631	\$ 859,363
Payments to employees and vendors	<u>(859,736)</u>	<u>(750,241)</u>
Net cash flow from operating activities	<u>(328,105)</u>	<u>109,122</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to property and equipment	(3,015)	(3,907)
Principal payments of long-term debt	<u>(44,764)</u>	<u>(42,195)</u>
Net cash flow from capital and related financing activities	<u>(47,779)</u>	<u>(46,102)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest income	1,078	1,021
Withdrawals from restricted deposits	<u>42,303</u>	<u>40,017</u>
Net cash flow from investing activities	<u>43,381</u>	<u>41,038</u>
CHANGE IN CASH	(332,503)	104,058
CASH - beginning of year	<u>1,898,348</u>	<u>1,794,290</u>
CASH - end of year	<u>\$ 1,565,845</u>	<u>\$ 1,898,348</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (524,259)	\$ 160,845
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	28,020	28,323
Changes in:		
Receivables	128,240	(89,805)
Prepaid expenses	(163)	185
Accounts payable and accrued expenses	<u>40,057</u>	<u>9,574</u>
Net cash flow from operating activities	<u>\$ (328,105)</u>	<u>\$ 109,122</u>

The accompanying notes are an integral part of these statements.

# TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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### 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, 2016 and 2015, 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 \$4,506,537 and \$5,217,013 of payments in lieu of taxes for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, 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>2016</u>		<u>2015</u>	
	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Checking accounts	\$ 44,301	\$ 25,885	\$ 54,520	\$ 36,079
Money market account	<u>1,539,760</u>	<u>1,539,760</u>	<u>1,862,069</u>	<u>1,862,069</u>
	<u>\$ 1,584,061</u>	<u>\$ 1,565,645</u>	<u>\$ 1,916,589</u>	<u>\$ 1,898,148</u>

These deposits were insured or collateralized as follows:

	<u>2016</u>	<u>2015</u>
FDIC insurance	\$ 294,301	\$ 304,520
Collateralized by third party	<u>1,315,556</u>	<u>1,644,310</u>
Total FDIC insurance and collateral	<u>\$ 1,609,857</u>	<u>\$ 1,948,830</u>

Restricted cash and equivalents at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Community Development Block Grant funds restricted for future industrial development loans - cash on deposit - demand accounts	\$ -	\$ 42,304
Funds restricted for mortgage escrow - cash on deposit - escrow accounts	<u>64,937</u>	<u>64,936</u>
	<u>\$ 64,937</u>	<u>\$ 107,240</u>

The Agency has also designated \$100,000 of unrestricted fund balance at December 31, 2016 and 2015 to be used for future investments.

#### 4. CAPITAL ASSETS

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>

Capital asset activity for the year ended December 31, 2015 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	173,680	3,907	-	177,587
Building	719,835	-	-	719,835
Total capital assets being depreciated	<u>916,225</u>	<u>3,907</u>	<u>-</u>	<u>920,132</u>
Less: Accumulated depreciation:				
Leasehold improvements	(12,428)	(2,233)	-	(14,661)
Fixed equipment	(148,543)	(7,928)	-	(156,471)
Buildings	(174,438)	(18,162)	-	(192,600)
Total accumulated depreciation	<u>(335,409)</u>	<u>(28,323)</u>	<u>-</u>	<u>(363,732)</u>
Total capital assets being depreciated, net	<u>580,816</u>	<u>(24,416)</u>	<u>-</u>	<u>556,400</u>
Capital assets, net	<u>\$ 680,816</u>	<u>\$ (24,416)</u>	<u>\$ -</u>	<u>\$ 656,400</u>



## 5. RELATED PARTIES

As discussed further in Note 9, at December 31, 2016 and 2015, the Agency had a \$50,000 non-interest bearing note receivable from the Corporation.

The Agency provides office space and personnel at no cost to the Corporation. It is anticipated that the Agency will begin charging the Corporation for facilities and personnel if and when the amounts provided become financially material.

There were no transfers for the years ended December 31, 2016 and 2015.

## 6. PASS THROUGH GRANTS

The Agency was awarded funds from a Community Development Block Grant in 1985 in the amount of \$200,000 from the Town of Amherst Special Grant Fund. The grant proceeds, and all interest earned thereon, are restricted to use for future loans to be made by the Agency to promote industrial development. At December 31, 2016 and 2015, the Agency is accountable for the following:

	<u>2016</u>	<u>2015</u>
Cash	\$ -	\$ 42,304
Due to U.S. Treasury Department	<u>-</u>	<u>(4)</u>
	<u>\$ -</u>	<u>\$ 42,300</u>

## 7. MORTGAGE PAYABLE

The Agency's mortgage with First Niagara Bank amounted to \$473,702 and \$518,466 at December 31, 2016 and 2015, 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, 2016 and 2015. 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 \$64,937 and \$64,936 at December 31, 2016 and 2015.

The mortgage requires the Agency to maintain a minimum debt coverage ratio of 1.2 to 1. The Agency obtained a waiver related to the minimum debt coverage covenant as of December 31, 2016 and met the minimum debt coverage covenant as of December 31, 2015.

## 7. MORTGAGE PAYABLE (Continued)

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

2017	\$ 47,309
2018	50,227
2019	53,325
2020	<u>322,841</u>
	<u>\$ 473,702</u>

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

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

	Beginning Balance <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Due Within <u>One Year</u>	Long-term Portion <u>2015</u>
Mortgage – First Niagara Bank	\$ 560,661	\$ -	\$ (42,195)	\$ (44,561)	\$ 473,905

Cash paid for interest amounted to \$29,932 and \$32,501 for the years ended December 31, 2016 and 2015, respectively.

## 8. 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 \$30,488 and \$31,047 during the years ended December 31, 2016 and 2015, respectively.

## 9. 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, 2016 and 2015, the Agency has funded \$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 30, 2017

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, 2016, 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 30, 2017.

**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 - 2016

	<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	<u>17,549,000</u>
Total lease agreements		<u>616,704,166</u>

(Continued)

## TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

## SCHEDULE 1

SCHEDULE OF FINANCING ACTIVITY  
1979 - 2016

	<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	<u>124,309</u>
Total second mortgage agreements		<u>26,037,599</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 - 2016**

	<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	<u>32,800,000</u>
Total installment sales		<u>348,926,284</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	<u>28,844,297</u>
Total refinancing transactions		<u>167,705,594</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>\$ 2,866,796,870</u>

**SCHEDULE OF DETAILED FINANCING ACTIVITY  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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	<u>Date Issued</u>	Basis for Computing Administrative <u>Fees</u>
LEASE AGREEMENTS:		
Amherst Alarm, Inc.	11/16	\$ 3,000,000
Capital Senior Mgmt 2, Inc. Ventas Amberleigh, LLC	2/16	5,099,000
5933 Main Street, LLC	7/16	8,500,000
1955 Wehrle, LLC	6/16	<u>950,000</u>
		<u>17,549,000</u>
ASSIGNMENT OF LEASE:		
Geico, Inc.	5/16	<u>23,073,623</u>
Total 2016 Projects		<u>\$ 40,622,623</u>