

**BUFFALO ERIE NIAGARA LAND  
IMPROVEMENT CORPORATION**

*Financial Statements, Supplementary Information and  
Other Information for the Years Ended December 31, 2016  
and 2015 and Independent Auditors' Reports*



**BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION**  
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**Years Ended December 31, 2016 and 2015**

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Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of the Buffalo  
Erie Niagara Land Improvement Corporation:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Buffalo Erie Niagara Land Improvement Corporation (the "Corporation"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***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.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Corporation Investments and the Real Property Listing, as required under New York State Public Authorities Law, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The Real Property Listing has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2017 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the 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 Corporation's internal control over financial reporting and compliance.

## **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated March 20, 2017 on our consideration of the Corporation's compliance with Section 2925(3)(f) of the New York State Public Authorities Law ("Law"). The purpose of that report is to describe the scope and results of our tests of compliance with the Law.



March 20, 2017

## FINANCIAL SECTION





**BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,824,488	\$ 655,260
Prepaid expenses	4,310	-
Total current assets	1,828,798	655,260
Noncurrent assets:		
Security deposit	1,856	-
Assets held for sale	1,258,242	772,480
Total noncurrent assets	1,260,098	772,480
Total assets	\$ 3,088,896	\$ 1,427,740
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Operating accounts payable	\$ 54,433	\$ 49,606
Amounts due to municipalities	397,804	172,805
Unearned revenue	210,096	178,775
Accrued liabilities	629	952
Total current liabilities	662,962	402,138
Net assets:		
Unrestricted	2,425,934	1,020,868
Temporarily restricted	-	4,734
Total net assets	2,425,934	1,025,602
Total liabilities and net assets	\$ 3,088,896	\$ 1,427,740

The notes to the financial statements are an integral part of these statements.

**BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION**  
**Statement of Activities**  
**Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Grant revenue	\$ 1,398,456	\$ -	\$ 1,398,456
Donation revenue	528,000	958	528,958
Property sales	739,953	-	739,953
Miscellaneous revenue	3,964	-	3,964
Interest income	253	-	253
Total revenues	<u>2,670,626</u>	<u>958</u>	<u>2,671,584</u>
Net assets released from restrictions:			
Expiration of purpose restrictions	<u>5,692</u>	<u>(5,692)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>2,676,318</u>	<u>(4,734)</u>	<u>2,671,584</u>
Expenses:			
Cost of sales	926,331	-	926,331
Salary expenses	145,509	-	145,509
Retirement contributions	12,046	-	12,046
Professional services	13,227	-	13,227
Office expenses	32,230	-	32,230
Other expenses	13,219	-	13,219
Demolition charges	<u>128,690</u>	<u>-</u>	<u>128,690</u>
Total expenses	<u>1,271,252</u>	<u>-</u>	<u>1,271,252</u>
Change in net assets	1,405,066	(4,734)	1,400,332
Total net assets—beginning	<u>1,020,868</u>	<u>4,734</u>	<u>1,025,602</u>
Total net assets—ending	<u>\$ 2,425,934</u>	<u>\$ -</u>	<u>\$ 2,425,934</u>

The notes to the financial statements are an integral part of this statement.

**BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION**  
**Statement of Activities**  
**Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Grant revenue	\$ 1,574,557	\$ -	\$ 1,574,557
Donation revenue	178,395	56,519	234,914
Property sales	225,284	-	225,284
Miscellaneous revenue	729	-	729
Interest income	119	-	119
Total revenues	<u>1,979,084</u>	<u>56,519</u>	<u>2,035,603</u>
Net assets released from restrictions:			
Expiration of purpose restrictions	<u>54,729</u>	<u>(54,729)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>2,033,813</u>	<u>1,790</u>	<u>2,035,603</u>
Expenses:			
Cost of sales	219,520	-	219,520
Salary expenses	130,557	-	130,557
Retirement contributions	11,833	-	11,833
Professional services	15,268	-	15,268
Office expenses	197	-	197
Other expenses	10,537	-	10,537
Demolition charges	<u>842,764</u>	<u>-</u>	<u>842,764</u>
Total expenses	<u>1,230,676</u>	<u>-</u>	<u>1,230,676</u>
Change in net assets	803,137	1,790	804,927
Total net assets—beginning	<u>217,731</u>	<u>2,944</u>	<u>220,675</u>
Total net assets—ending	<u>\$ 1,020,868</u>	<u>\$ 4,734</u>	<u>\$ 1,025,602</u>

The notes to the financial statements are an integral part of this statement.

**BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION**  
**Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,400,332	\$ 804,927
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
(Increase) in prepaid expenses	(4,310)	-
(Increase) in security deposit	(1,856)	-
(Increase) in assets held for sale	(485,762)	(549,222)
Increase in operating accounts payable	4,827	32,870
(Decrease) in demolition accounts payable	-	(492,661)
Increase in amounts due to municipalities	224,999	70,634
Increase in unearned revenue	31,321	73,388
(Decrease) increase in accrued liabilities	(323)	923
Net cash provided by (used for) operating activities	1,169,228	(59,141)
Net increase (decrease) in cash and cash equivalents	1,169,228	(59,141)
Cash and cash equivalents—beginning	655,260	714,401
Cash and cash equivalents—ending	\$ 1,824,488	\$ 655,260

The notes to the financial statements are an integral part of these statements.

**BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2016 and 2015**

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**1. DESCRIPTION OF THE ORGANIZATION**

The Buffalo Erie Niagara Land Improvement Corporation (“the Corporation”) was organized on June 6, 2012, pursuant to Article 16 of the Not-for-Profit Corporation Law of the State of New York. The Corporation was formed through a joint venture of the County of Erie and Cities of Buffalo, Lackawanna, and Tonawanda. The Corporation was created to confront and alleviate the problems distressed properties cause to communities by supporting municipal and regional revitalization efforts and strategically acquiring, improving, assembling, and selling distressed, vacant, abandoned, and/or tax-delinquent properties.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***—The Corporation prepares its financial statements in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for not-for-profit organizations. The significant accounting and reporting policies used by the Corporation are described below to enhance the usefulness and understandability of the financial statements.

***Use of Estimates***—The Corporation’s preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Corporation’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Corporation’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

***Net Assets***—The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

***Unrestricted Net Assets***—Resources available to support the mission of the Corporation.

***Temporarily Restricted Net Assets***—The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Corporation released \$5,692 and \$54,729 from restrictions for eligible expenses during the years ended December 31, 2016 and 2015, respectively.

***Cash and Cash Equivalents***—Cash and cash equivalents include cash on hand, cash on deposit with financial institutions and other highly liquid investments with maturities at the date of purchase of three months or less and are carried at cost, which approximates fair value.

**Prepaid Expenses**—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid expenses. The cost of prepaid expenses is recorded as expenses when consumed rather than purchased. The Corporation reported prepaid expenses of \$4,310 and \$0 at December 31, 2016 and 2015, respectively.

**Assets Held for Sale**—Properties acquired by the Corporation for sale are recorded at the lower of cost of acquisition or fair market value. Capital improvements made to properties held for sale are recorded at cost.

**Amounts Due to Municipalities**—Represents amounts due to municipalities for certain estimated back taxes and fees on acquired property held for sale, which are expected to be paid to the appropriate municipalities upon sale of property.

**Unearned Revenue**—Revenue from grants are recognized as earned; that is, as the related costs are incurred under the grant agreements. Amounts received in advance are reported as unearned revenue. The Corporation reported unearned revenues of \$210,096 and \$178,775 at December 31, 2016 and 2015, respectively.

**Grant Revenue**—The Corporation receives grant fund revenue from State and other agencies. Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. The Corporation reported \$1,398,456 and \$1,574,557 of grant revenue for the years ended December 31, 2016 and 2015, respectively.

**Donation Revenue**—Revenue from donated assets are recorded at the fair market value of the asset, and revenue from cash donations are recorded as the amount received. The Corporation reported \$528,958 and \$234,914 of donation revenue for the years ended December 31, 2016 and 2015, respectively.

**Demolition Charges**—Expenses incurred by municipalities for demolition services performed are submitted to the Corporation for reimbursement. Upon their approval, subject to grant restrictions, they are recorded as demolition charges by the Corporation. The Corporation has incurred \$128,690 and \$842,764 of demolition charges for the years ended December 31, 2016 and 2015, respectively.

**Reclassification**—Certain items in the statement of activities for the year ended December 31, 2015 have been reclassified to be consistent with the current year presentation.

**Tax Status**—The organization is incorporated exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code (“IRC”), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). All applicable tax forms for the Corporation have been filed and accepted by the Internal Revenue Service through the year ended December 31, 2015. The tax years ended December 31, 2016, 2015 and 2014 are still open to audit for federal purposes.

### 3. ASSETS HELD FOR SALE

Assets held for sale consists of the following components at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cost of properties held	\$ 473,923	\$ 321,848
Property improvements	<u>784,319</u>	<u>450,632</u>
Total	<u>\$ 1,258,242</u>	<u>\$ 772,480</u>

### 4. NET ASSETS

*Unrestricted Net Assets*—Include resources available to support operations. At December 31, 2016 and 2015, the Corporation reports \$2,425,934 and \$1,020,868, respectively, in unrestricted net assets.

*Temporarily Restricted Net Assets*—Include resources of the Corporation whose use is limited by stipulations that can be fulfilled and removed by actions of the Corporation, pursuant to contractual agreement. As of December 31, 2016 and 2015, the Corporation had \$0 and \$4,734, respectively, in temporarily restricted net assets.

### 5. CONTINGENCIES

In the normal course of operations, the Corporation receives grant funds from State and other agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenses resulting from such audits could become a liability to the Corporation. While the amount of any expense that may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

### 6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 20, 2017, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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## SUPPLEMENTARY INFORMATION



**BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION**  
**Schedule of Corporation Investments**  
**Year Ended December 31, 2016**

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**Annual Investment Report** - §2925(6) of Public Authorities Law of the State of New York requires that each public authority must annually prepare an investment report which shall include (a) investment guidelines, (b) amendments to such guidelines since the last investment report, (c) an explanation of the investment guidelines and amendments, (d) results of the annual independent audit, (e) the investment income record of the corporation, and (f) a list of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Corporation since the last investment report.

- a. Investment guidelines—The Corporation’s investment policies are governed by State statutes. All investments are maintained in bank deposit accounts which are federally insured. The Corporation’s deposits are held at quality institutions.
- b. Amendments to guidelines—None.
- c. Explanation of guidelines and investments—These guidelines restrict investment of the Corporation’s funds to deposits in federally insured banks. The Corporation has not made any amendments to its investment policy.
- d. Results of the annual independent audit—The independent auditors have issued an unmodified opinion on the Corporation’s financial statements for the year ended December 31, 2016.
- e. Investment income record—Investment income for the year ended December 31, 2016 consisted of:

	<u>Interest Earned</u>
M&T Bank	<u>\$ 253</u>

- f. List of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Corporation since the last investment report—No such fees or commissions were paid during the year ended December 31, 2016.

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## OTHER INFORMATION



**BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION**  
**Real Property Listing**  
**Year Ended December 31, 2016**

1. **Real Property List** – §2896(3) of Public Authorities Law of the State of New York requires that each public authority must publish, at least annually, a report listing all real property of the authority. At December 31, 2016, the Corporation owned the following real property:

<b>Date Acquired</b>	<b>Section/Block/Lot Identification</b>	<b>Property Location and Description</b>	<b>Recorded Value *</b>
12/1/2014	064.12-3-16	100 Sawyer Avenue - 6,839 SqFt	\$ 3,782
5/20/2015	235.20-1-8	59 N. Main Street - 8,712 SqFt	64,291
6/16/2015	77.640-2-41	93 Fuller Street - 2,940 SqFt	170,875
8/21/2015	77.49-2-45	69 Ross Avenue - 4,200 SqFt	115,849
10/15/2015	124.14-4-4	316 Dorris Drive - 10,800 SqFt	74,224
10/15/2015	124.77-2-27.1	50 Aurora Avenue - 1,102 SqFt	50,613
10/15/2015	65.84-4-20	332 Wabash Avenue - 3,910 SqFt	66,671
10/15/2015	112.27-1-15	310 Wagner Avenue - 2,513 SqFt	59,040
10/15/2015	102.53-2-3	64 Hedwig Avenue - 3,120 SqFt	91,438
10/15/2015	93.17-11-1	33 Donna Court - 13,285 SqFt	74,360
10/15/2015	104.66-3-10	71 Central Avenue - 5,200 SqFt	1,587
1/14/2016	90.71-2-27	898 Delavan East - 3,750 SqFt	42,921
1/14/2016	90.71-5-53	365 Northumberland Avenue - 4,375 SqFt	32,463
2/9/2016	66.71-7-27	22 Allegany Avenue - 3,534 SqFt	114,359
3/10/2016	220.02-1-8.1	1040 Backus Road - 24,000 SqFt	9,424
3/10/2016	67.66-4-19	1519 Eggert Road - 16,912 SqFt	12,649
9/19/2016	90.26-1-6	179 Westminster Avenue - 3,150 SqFt	8,287
9/19/2016	90.77-5-18	72 Schauf Avenue - 3,325 SqFt	7,537
10/24/2016	53.75-5-19	286 Pilgrim Road - 5,688 SqFt	7,211
10/24/2016	53.75-5-38	284 Pilgrim Road - 392 SqFt	380
10/27/2016	91.18-7-14	138 Toelsin Road - 7,000 SqFt	28,698
10/27/2016	68.05-2-5	392 Frankhauser Road - 17,716	23,532
10/27/2016	115.07-1-17	121 Irwinwood Road - 5,600 SqFt	25,000
10/27/2016	103.84-3-2	4639 Broadway Street - 5,104 SqFt	18,937
10/27/2016	249.20-2-1	76 Chestnut Lane - 38,055 SqFt	23,056
10/27/2016	235.15-6-23	93 Lake Street - 11,983	2,526
10/27/2016	250.07-2-37	9389 Orange Street - 4,000 SqFt	5,406
10/27/2016	235.16-1-17	61 Mill Street - 16,517 SqFt	37
10/27/2016	14.20-2-11	850 Tonawanda Creek Road - 15,581 SqFt	116
10/27/2016	67.72-1-14	26 Meadow Lea Drive - 8,081 SqFt	6,509
10/27/2016	133.35-1-33	66 Burch Avenue - 3,480 SqFt	1,326
10/27/2016	90.84-1-26	77 East End Avenue - 3,600 SqFt	5,076
10/27/2016	326.06-2-11	12880 Schutt Road - 11,573 SqFt	40

(continued)

(concluded)

<u>Date Acquired</u>	<u>Section/Block/Lot Identification</u>	<u>Property Location and Description</u>	<u>Recorded Value *</u>
10/27/2016	251.07-3-10	26 Newton Street - 12,742 SqFt	2,461
10/27/2016	251.07-3-11.1	0 Newton Street - 25,483	130
10/27/2016	250.08-5-31	0 Peach Street - 3,520 SqFt	1,665
10/27/2016	151.46-5-1	166 Pearl Avenue - 7,728 SqFt	13,095
10/27/2016	195.08-9-5	50 Scott Street - 2,214 SqFt	1,516
10/27/2016	195.08-9-4	64 Scott Street - 9,250 SqFt	3,366
10/27/2016	115.06-2-25	24 Miller Street - 18,000 SqFt	15,074
10/27/2016	104.19-3-13	27 Aurora Street - 17,529 SqFt	7,575
10/28/2016	80.17-14-4	309 Cleveland Drive - 4,239 SqFt	5,574
10/28/2016	90.84-1-18	51 East End Avenue - 7,200 SqFt	24,126
11/16/2016	112.27-1-23	278 Reiman Street - 3,600 SqFt	864
12/6/2016	77.64-5-23	44 Sandrock Road - 3,300 SqFt	6,131
12/6/2016	101.21-1-10	107 Longview Avenue - 3,600 SqFt	3,500
12/6/2016	90.71-5-55	375 Northumberland Avenue - 4,375 SqFt	3,780
12/6/2016	90.78-1-15.1	234 Carl Street - 8,400 SqFt	7,500
12/6/2016	79.74-2-29	652 Lisbon Avenue - 4,223 SqFt	12,500
		Total**	<u>\$ 1,257,075</u>

\* Recorded value is based on lower cost or market. Donated properties are recorded at management's estimated fair value at acquisition.

\*\* During the year ended December 31, 2016, the Corporation invested \$1,167 into real property located at 83 Roland Street. As of December 31, 2016, the Corporation did not yet have title to the real property.

**2. Real Property Acquisitions/Dispositions** – During the year ended December 31, 2016, the Corporation acquired 36 real properties and disposed of 11 real properties.



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Certified Public Accountants

**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**

To the Board of Directors of the Buffalo  
Erie Niagara Land Improvement Corporation:

We have audited 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, the financial statements of the Buffalo Erie Niagara Land Improvement Corporation (the "Corporation"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

*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. We consider the deficiency described in the accompanying schedule of findings as item 2016-001 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation'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 audits 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*.

## **Corporation's Response to Finding**

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings. The Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.



March 20, 2017

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*Certified Public Accountants*

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

To the Board of Directors of the Buffalo  
Erie Niagara Land Improvement Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Buffalo Erie Niagara Land Improvement Corporation (the "Corporation") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Corporation's financial statements, and have issued our report thereon dated March 20, 2017.

In connection with our audit, nothing came to our attention that caused us to believe that the Corporation failed to comply with Section 2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2016. 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 Corporation'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.

A handwritten signature in cursive script that reads 'Drescher & Malecki LLP'.

March 20, 2017



**BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION**  
**Schedule of Findings**  
**Year Ended December 31, 2016**

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*We consider the deficiency presented below to be a material weakness in internal control.*

**Finding 2016-001—Accounting and Year-end Procedures**

*Criteria*—Internal controls over financial reporting should be designed to detect and prevent potential misstatements.

*Condition and Context*—Journal entries posted during the year ended December 31, 2016 were not reviewed until several months after preparation and certain entries (e.g., unique property transactions, year end accruals, etc.) were either not recorded in the general ledger or posted to the incorrect account or fiscal year. Additionally, when the Corporation revises a journal entry the original entry is edited rather than preparing and posting a new journal entry. As of the date of fieldwork, several bank reconciliations were not prepared or reviewed. Finally, the Corporation has undue reliance on its annual audit to propose journal entries to present financial statements in accordance with generally accepted accounting principles (“GAAP”).

*Cause*—The Corporation does not have adequate internal controls over financial reporting. The journal entry policy does not specify the timeframe for when journal entries will be reviewed or how to handle adjusting entries that have already been posted to the general ledger. Further, the Corporation lacks segregation of duties attributed to a lack of staffing to perform bookkeeping and financial reporting.

*Effect*—Inadequate accounting and year-end procedures increases the likelihood that assets could be misappropriated and/or a material misstatement could occur and remain undetected in the Corporation’s financial statements. Editing an original journal entry rather than posting a new entry results in inadequate supporting documentation of the revision and, also, circumvents the established journal entry review controls. Finally, as a result of the annual audit, numerous adjusting journal entries were proposed, including certain entries that had a material effect on the Corporation’s financial statements as of and for the year ended December 31, 2016.

*Recommendation*—The Corporation should appropriately update their accounting policies and procedures manual. Specifically, the journal entry policy should include the required timeframe that journal entries need to be reviewed by. The policy should be further updated to include how the Corporation should address the revision of journal entries that have already been posted to the general ledger. A sample of the unique journal entries for transactions related to property acquisitions and sales should be included in the policy to provide examples for journal entry review. Additionally, the accounting policies and procedures manual should include procedures for the performance of audit preparation to include a review of activity, bank reconciliations, year-end accruals, and closing procedures. Finally, the Corporation should consider additional staffing or contracted services to assist with accounting functions such as preparing standard entries (i.e., recording grant revenue receipts, property improvements, expenses, etc.) and bank reconciliations.

*Management’s Response*—Throughout 2016 Corporation staff was limited; however, additional staff has been brought on to assist with a variety of corporate operations. To resolve this found material weakness, management will seek to devote additional staff and staff time to basic accounting functions. Additionally, more senior staff will improve the Corporation’s existing accounting manual to make clear journal entry and bank reconciliation policies, including required timeframes for completion, revisions, and review. The manual will also be revised to include samples of the unique property acquisition/disposition entries.

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