

NIAGARA COUNTY BROWNFIELD
DEVELOPMENT CORPORATION

Financial Statements

For the year ended September 30, 2009

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Table of Contents

Pages 1 - 4	Managements Discussion and Analysis
Page 5	Independent Auditors' Report
Page 6	Statement of Net Assets and Governmental Fund Balance Sheet
Page 7	Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances
Pages 8 - 12	Notes to the Financial Statements
Pages 13 - 14	Report on Internal Control over Financial Reporting And on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>
Page 15	Schedule of Findings and Responses

**NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

As management of the Niagara County Brownfield Development Corporation (the "NCBDC"), we offer readers of the NCBDC's financial statements this narrative overview and analysis of the financial activities of the NCBDC for the year ended September 30, 2009. This document should be read in conjunction with additional information that we have furnished in the NCBDC's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets of the NCBDC exceeded its liabilities by \$92,822 (net assets). Of this amount, \$92,822 is restricted for use within the Niagara County Brownfields Cleanup Revolving Loan Fund. As outlined in its cooperative agreement with the United States Environmental Protection Agency.
- The NCBDC's net assets increased by \$92,822. This is the amount of loans disbursed during the fiscal year ended September 30, 2009. Because NCBDC is reimbursed for eligible loan disbursements and allowable expenses net of any program income (application fees and interest income), recorded revenue will equal recorded expenses plus the amount of loans disbursed during the year. Therefore the change in net assets will be equal to the amount of loans disbursed during the fiscal year.
- During the fiscal year, the NCBDC had total revenues of \$133,493 and total expenses of \$40,671.
- Fund balances on governmental fund balance sheet are presented pursuant to GASB 54.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the NCBDC's basic financial statements. As permitted by GASB Statement No. 34, the NCBDC uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance.

Government-Wide – The government-wide financial information is recorded using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The *statement of net assets* presents information on all of the NCBDC's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the NCBDC is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., accounts payable).

The government-wide statements include the NCBDC's governmental activity. The governmental activity is the operation of the Niagara County Brownfields Cleanup Revolving Loan Fund (BCRLF) program. The Niagara County BCRLF is a cooperative effort between Niagara County and the City of Niagara Falls to help promote revitalization of brownfield sites throughout the County and City. Through the BCRLF, the NCBDC provides financial assistance in the form of low-interest loans and sub-grants to eligible entities for remediation of brownfield sites throughout Niagara County. Revitalizing and retaining brownfield sites to productive use creates jobs, contributes to the tax base, and eliminates the potential risk to public health and the environment.

The government-wide financial statements can be found on pages immediately following this section as the last column on the first two pages of the Basic Financial Statements.

<u>2009</u>	<u>\$ 116,571</u>	<u>\$ 116,571</u>	<u>\$ 116,571</u>
	-	-	-
	Current and other assets	Capital assets, net of depreciation	Total Assets
	<u>\$ 23,749</u>	<u>\$ 23,749</u>	<u>\$ 23,749</u>
	-	-	-
	Current liabilities	Long-term liabilities	Total Liabilities
	<u>\$ 92,822</u>	<u>\$ 92,822</u>	<u>\$ 92,822</u>
	-	-	-
	Invested in capital assets, net of related debt	Restricted	Unrestricted
	<u>\$ 92,822</u>	<u>\$ 92,822</u>	<u>\$ 92,822</u>
	-	-	-
	Total Net Assets	Total Net Assets	Total Net Assets

Table 1 - Net Assets

Table 1 below is a summary of the NCBDC's of net assets as of September 30, 2009:

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the NCBDC, assets exceeded liabilities by \$92,822 at the close of the 2009 fiscal year. Other than cash, the largest portion of the NCBDC's net assets reflects the outstanding principal due from loan disbursements. At the end of fiscal year 2009, the NCBDC did not own any property or have any long-term liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Notes to the Financial Statement – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found following the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances.

The financial statements for governmental fund can be found on pages immediately following this section as the first column on the first two pages of the Basic Financial Statements.

Governmental Funds - Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific activity or objectives. The NCBDC reports a single major governmental fund, which is the primary operating fund.

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

During the 2009 fiscal year, a Board of Directors was established, Executive Officers were appointed, corporate policies were adopted, and two brownfield remediation projects were approved; one for a \$250,000 loan and the second for a \$90,000 sub-grant. A total of \$92,822 was disbursed for the loan during fiscal year 2009 as disbursements are made after eligible expenses has been incurred and approved. No amounts were disbursed for the grant during fiscal 2009.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Since the NCBDC is a special-purpose, single-program government with no adjustments to fund financial statements to arrive at government-wide financial statements, a discussion of the fund financial statements is redundant. The changes discussed in the government-wide analysis above provide adequate explanations for the governmental fund activities for the year.

GOVERNMENTAL FUND ANALYSIS

- Federal grant revenue represents 99.2% of total revenues respectively for 2009

When reviewing the above data, the following should be noted:

Revenues:	
Program Revenues:	\$ 1,000
Charges for services	132,490
Operating grants and contributions	3
General Revenues:	
Interest revenue	133,493
Total Revenues	133,493
Program expenses:	
Legal fees	37,444
Insurance expense	2,400
Financial management services	827
Total Expenses	40,671
Increase (Decrease) in net assets	92,822
Net assets beginning of year	-
Net assets end of year	\$ 92,822

Table 2 – Changes in Net Assets

Government Activities Table 2, as presented below, shows the key elements to the changes in net assets for the year ended September 30, 2009.

**FACTORS EXPECTED TO IMPACT FUTURE FINANCIAL POSITION
OR RESULTS OF OPERATIONS**

In October 2009, Niagara County entered into a cooperative agreement with the United States Environmental Protection Agency. The agreement provides \$900,000 stimulus funding to supplement the Niagara County Brownfield Development Corporation's existing Revolving Loan Fund to make loans and sub-grants to eligible entities. This funding will be passed through Niagara County to Niagara County Brownfield Development Corporation.

COMPARATIVE ANALYSIS

As this is the first year of operations for NCBDC, comparative analysis was not possible. Comparative analysis will be provided in future years when prior year information is available.

CONTACTING FINANCIAL MANAGEMENT

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

To the Board of Directors
Niagara County Brownfield Development Corporation
Sanborn, New York

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of Niagara County Brownfield Development Corporation (NCBDC), which collectively comprise the NCBDC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the NCBDC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Niagara County Brownfield Development Corporation as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2010 on our consideration of Niagara County Brownfield Development Corporation's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 4 be presented to supplement the basic financial statements. Such information, although not 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 principally 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.

Brown & Company, LLP

Niagara Falls, New York
September 8, 2010

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Statement of Net Assets and
 Governmental Fund Balance Sheet
 September 30, 2009

Statement of Net Assets	Adjustments	Governmental Fund	<u>ASSETS</u>		
\$ 10,044	\$ -	\$ 10,044	Cash		
13,705	-	13,705	Due from other governments		
92,822	-	92,822	Notes receivable		
<u>\$ 116,571</u>	<u>\$ -</u>	<u>\$ 116,571</u>	Total assets		
			<u>LIABILITIES</u>		
12,002	-	12,002	Accounts payable		
11,747	-	11,747	Advances from other governments		
23,749	-	23,749	Total liabilities		
			<u>FUND BALANCES/NET ASSETS</u>		
			Fund balances:		
			Restricted for Brownfield RLF	92,822	\$ 92,822
			Total liabilities and fund balances	<u>\$ 116,571</u>	
			Net assets:		
			Restricted for Brownfield RLF	92,822	\$ 92,822

See notes to financial statements.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended September 30, 2009

Statement of Net Assets	Adjustments	Governmental Fund	Expenditures/expenses:	Programmatic expenses	Program revenues:	Operating grants	Application fees	Total program revenue	Net program revenue (expense)	General revenues:	Interest revenue	Excess of revenue over expenses	Change in net assets	Fund balance/net assets:	Beginning of the year	End of the year
\$ 40,671	-	\$ 40,671				132,490	1,000	133,490		3		92,822	(92,822)	-	-	\$ 92,822
\$ 132,490	-	132,490				-	-	-		-		92,822	92,822	-	-	\$ -
\$ 133,490	-	133,490				-	-	-		-		-	-	-	-	\$ -
92,819																92,822
																92,822

See notes to financial statements.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Notes to the Financial Statements

September 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Niagara County Brownfield Development Corporation (NCBDC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) Reporting Entity

In evaluating how to define the entity for financial reporting purposes, management considered whether the NCBDC is a component unit of another primary government and all potential component units. The NCBDC's basic financial statements include the financial position and results of operations of the NCBDC. A review of other units of local government, using the criteria set forth in generally accepted accounting principles, indicates that there are no additional entities or funds for which the NCBDC has reporting responsibilities. Management has determined that the NCBDC should not be considered a part of any unit of local government for reporting purposes for the following reasons:

1. The Niagara County Brownfield Development Corporation has separate legal standing from all other units of government.

2. No primary government appoints the voting majority of the NCBDC's Board of Directors. NCBDC's Board consists of three individuals holding the following positions: (a) Chairman of the Board of Legislators, Niagara County, (b) Executive Director, Niagara County Industrial Development Agency, and (c) Mayor, City of Niagara Falls.

3. The NCBDC is fiscally independent of all other units of government. The NCBDC conducts its business in its own name and all material transactions between the NCBDC and the County of Niagara and the City of Niagara Falls are on an arm's-length basis.

4. The financial statements of other units of local government would not be misleading or incomplete without the inclusion of the NCBDC's financial statements.

(b) Organization

The Niagara County Brownfield Development Corporation is a not-for-profit public benefit corporation formed in October 2008 by the Niagara County Legislature. The NCBDC was created to establish and operate the Niagara County Brownfields Cleanup Revolving Loan Fund (BCRLF) program. The Niagara County BCRLF is a cooperative effort between Niagara County and the City of Niagara Falls to help promote revitalization of brownfield sites throughout the County and City. Through the BCRLF, the NCBDC provides financial assistance in the form of low-interest loans and sub-grants to eligible entities for remediation of brownfield sites throughout Niagara County. Revitalizing and returning brownfield sites to productive use creates jobs, contributes to the tax base, and eliminates the potential risk to public health and the environment.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Notes to the Financial Statements
September 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(c) Government-wide and Fund Financial Statements

As permitted by GASB Statement No. 34, the NCBDC uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance.

(d) Measurement Focus and Basis of Accounting

Measurement focus is the determination of what is expressed in reporting an entity's financial performance and position (i.e., expenditures or expenses). A particular measurement focus is accomplished both by considering what resources will be measured and the basis of accounting.

Basis of accounting refers to when revenues, expenditures/expenses, and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured.

Government-wide – The government-wide financial information is recorded using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund – Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Revenues from federal grants related to the brownfield cleanup revolving loan fund program are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at year-end is recorded as deferred revenue or due from other governments, respectively.

The NCBDC reports a single major governmental fund, which is the primary operating fund. It accounts for all of the financial resources of the NCBDC, except those required to be reported in another fund, if any.

(e) Budget

The NCBDC's did not formally adopt a budget for its governmental fund for the fiscal year ended September 30, 2009. The NCBDC is not legally required to adopt a budget for its governmental fund.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Notes to the Financial Statements
September 30, 2009

(f) Income Taxes

The NCBDC's is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Income that is not related to tax exempt purposes, less applicable deduction, is subject to federal and state corporate taxes. The NCBDC did not have any unrelated business income for the year ended September 30, 2009.

(g) Cash and Investments

The NCBDC's investment policies were adopted as required by Section 2925 of the New York State Public Authorities Law and are governed by State statutes. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, certificate of deposit, and obligations of New York State. The NCBDC did not hold any investments at September 30, 2009.

The NCBDC cash consists of demand deposits at a local financial institution. Collateral is required for demand deposits and certificates of deposit at 100% of the amount of all deposits 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 New York State and its municipalities. At September 30, 2009, the NCBDC's cash balances were fully covered by federal deposit insurance.

All deposits are carried at cost plus accrued interest and are in one financial institution.

	Insurance (FDIC)	
<u>Bank</u>	<u>Balance</u>	<u>Amount</u>
Book	\$ 10,045	\$ 10,045

(h) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) DUE FROM OTHER GOVERNMENTS

Amounts reported as due from other governments represent federal grant receivables from the Brownfield Transition RLF project. The grants receivable are stated at the amount management expects to collect from outstanding grant awards. Based on management's judgment, an allowance for uncollectible grants is not deemed necessary.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Notes to the Financial Statements
September 30, 2009

(3) NOTES RECEIVABLE

NCBDC has entered into an agreement to advance funds to a local business in the amount of \$250,000. The term of the note is five years and interest is calculated at 3% per annum. The full loan will be disbursed through incremental draws based upon actual expenses incurred for the business remediation project. As of September 30, 2009, \$92,822 of the principal was outstanding. Of this balance, an undetermined amount is scheduled to be collected within one year. Based on management's judgment, an allowance for uncollectible notes receivable is not deemed necessary.

(4) ADVANCES FROM OTHER GOVERNMENTS

The amount reported as advances from other governments represents interest-free short-term advances from Niagara County to cover program expenses until reimbursement is received the United States Environmental Protection Agency.

(5) GRANT ACTIVITY

Funding for the NCBDC is provided through federal grants from the United States Environmental Protection Agency passed through from Niagara County. Funds are drawn from these grants for the grant eligible expenses as they occur after first applying available unrestricted resources (application fee and interest income). Federal grants accounted for 99% of NCBDC's total income for the year ended September 30, 2009.

(6) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

GASB No. 34 requires governments to present a reconciliation that shows how the amounts reported in the fund statements are modified to determine government-wide amount for governmental activities. The adjustments column on the financial statements reconciles the amounts reported in the governmental funds to show how each would change when reported on the accrual basis of accounting.

There were no reconciling items to be reported for the year ended September 30, 2009

(7) RISK OF LOSS

The NCBDC is exposed to various risks of loss related to torts, theft of assets, errors and omissions, natural disasters, etc. The NCBDC maintains officers' and directors' liability insurance to help mitigate the risk of any potential loss, and management has determined that the insurance coverage is sufficient to cover any future losses.

(8) FAIR VALUE OF FINANCIAL INSTRUMENTS

The NCBDC's financial instruments are cash, due from other governments, notes receivable, accounts payable, and advances from other governments. The recorded value of cash, due from other governments, accounts payable, and advances from other governments approximate their fair value based on their short-term nature. The recorded value of the NCBDC's notes receivable reflects cost which management believes approximates fair value.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Notes to the Financial Statements

September 30, 2009

(9) COMMITMENTS AND CONTINGENCIES

In December 2008, the NCBDC Board of Directors approved the first revolving loan fund project, a \$250,000 loan for asbestos abatement. A total of \$92,822 was disbursed for the loan during fiscal year 2009. The balance of \$157,178 is expected to be disbursed during fiscal year 2010.

In June 2009, the NCBDC Board of Directors approved the second revolving loan fund project, a \$90,000 grant for remediation of a former cold storage facility. The grant is expected to be disbursed during fiscal 2010.

(10) SUBSEQUENT EVENTS

In October 2009, Niagara County entered into a cooperative agreement with the United States Environmental Protection Agency. The agreement provides \$900,000 stimulus funding to supplement the Niagara County Brownfield Development Corporation's existing Revolving Loan Fund to make loans and sub-grants to eligible entities. This funding will be passed through Niagara County to Niagara County Brownfield Development Corporation.

Management has evaluated subsequent events through September 8, 2010, the date the financial statements were available to be issued.

To the Board of Directors
Niagara County Brownfield Development Corporation
Sanborn, New York

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

We have audited the financial statements of the governmental activities and major fund of Niagara County Brownfield Development Corporation (the "NCBDC"), as of and for the year ended September 30, 2009, which collectively comprise the NCBDC's basic financial statements and have issued our report thereon dated September 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the NCBDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NCBDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the NCBDC's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We identified a certain deficiency (No. 2009-1), described in the accompanying schedule of findings and responses to be a significant deficiency and material weakness.

Management's response to the material weakness identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Niagara County Brownfield Development Corporation in a separate letter dated September 8, 2010.

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)

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

Burns + Company, LLP

Niagara Falls, New York
September 8, 2010

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Schedule of Findings and Responses

For the year ended September 30, 2009

Section I – Financial Statement Findings

- Finding No. 2009-1 – Financial Statement and Related Disclosures Preparation

Criteria:
A system of internal controls over financial reporting includes controls over financial statement preparation, including note disclosures. The Corporation should have controls over preparation of the financial statements that would prevent or detect a misstatement in the financial statements.

Finding:
The Corporation does not have the permanent full time staff required for the preparation of the financial statements and all related disclosures which would enable the prevention, detection, or correction of any misstatements in said financial statements.

Effect:
There is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented or detected and corrected on a timely basis.

Recommendation:
Assign a management level individual to review and approve the financial statement grouping schedules and calculations of amounts in the statements and disclosures. Individual should also review the disclosures to determine that they are complete and proper.

Response from Niagara County Brownfield Development Corporation:

Niagara County Brownfield Development Corporation engages outside independent auditors to assist in drafting the financial statements and related notes. We designate certain individuals with suitable skill sets and knowledge to oversee this service and management reviews, as well as accepts responsibility for the financial statements.

We understand the risk associated with not having the appropriate permanent full time staffing that would provide for the preparation of the financial statements with related notes and we hereby accept the degree of risk related to this material weakness.

Management believes the cost of correcting this material weakness would exceed the benefits to be derived from doing so.

Management has identified the utilization of the accrual basis of accounting and implemented the accrual basis as of the date of this audit report.