

BUFFALO AND ERIE COUNTY
INDUSTRIAL LAND DEVELOPMENT
CORPORATION

Financial Statements and
Supplemental Information

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo and Erie County Industrial
Land Development Corporation:

We have audited the accompanying statements of financial position of Buffalo and Erie County Industrial Land Development Corporation (ILDC) as of December 31, 2011 and 2010, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. We also have audited ILDC's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). ILDC's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assertion of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on these financial statements and an opinion on ILDC's internal control over financial reporting based on our audits.

We conducted our audits of the financial statements 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, and our audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in

reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ILDC as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, ILDC maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on Internal Control - Integrated Framework issued by COSO.

In accordance with Government Auditing Standards, we have also issued a report dated February 12, 2012 on our consideration of ILDC'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 compliance. That report is an integral part of an audit performed with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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. The 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Toski & Co., CPAs, P.C.

Williamsville, New York
February 12, 2012

MANAGEMENT'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING

Buffalo and Erie County Industrial Land Development Corporation's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting. Management assessed the effectiveness of Buffalo and Erie County Industrial Land Development Corporation's internal control over financial reporting as of December 31, 2011, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework. Based on that assessment, management concluded that, as of December 31, 2011, Buffalo and Erie County Industrial Land Development Corporation's internal control over financial reporting is effective based on the criteria established in Internal Control - Integrated Framework.

Toski & Co., CPAs, P.C.

Buffalo and Erie County Industrial Land Development Corporation
February 12, 2012

BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
Statements of Financial Position
December 31, 2011 and 2010

	<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:			
Cash		\$ 105,414	58,550
Current portion of notes receivable		<u>86,255</u>	<u>72,462</u>
Total current assets		191,669	131,012
Notes receivable, less current portion and net of allowance for doubtful loans of \$36,432 in 2011 and \$47,761 in 2010		<u>105,613</u>	<u>176,237</u>
Total assets		<u>\$ 297,282</u>	<u>307,249</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable		64	597
Due to affiliate		<u>9,188</u>	<u>5,391</u>
Total liabilities		<u>9,252</u>	<u>5,988</u>
Net assets:			
Temporarily restricted		204,715	223,595
Unrestricted		<u>83,315</u>	<u>77,666</u>
Total net assets		<u>288,030</u>	<u>301,261</u>
Contingencies (note 8)		<u> </u>	<u> </u>
Total liabilities and net assets		<u>\$ 297,282</u>	<u>307,249</u>

See accompanying notes to financial statements.

BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
Statement of Revenue, Expenses and Changes in Net Assets
Year ended December 31, 2011
(with comparative totals for 2010)

	Temporarily		Total	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>2011</u>	<u>2010</u>
Operating revenue:				
Administrative fees	\$ 71,250	-	71,250	859,204
Interest income from notes receivable	3,469	6,032	9,501	9,296
Other income	-	-	-	355
Total operating revenue	<u>74,719</u>	<u>6,032</u>	<u>80,751</u>	<u>868,855</u>
Operating expenses:				
Transfer to ECIDA	71,250	-	71,250	859,204
General and administrative	396	4,280	4,676	6,287
Provision for loan (recoveries) losses	<u>(2,576)</u>	<u>20,632</u>	<u>18,056</u>	<u>(1,427)</u>
Total operating expenses	<u>69,070</u>	<u>24,912</u>	<u>93,982</u>	<u>864,064</u>
Increase (decrease) in net assets from operating activities	<u>5,649</u>	<u>(18,880)</u>	<u>(13,231)</u>	<u>4,791</u>
Non-operating activities:				
Return of grant funds	-	-	-	(305,229)
Interest expense	-	-	-	(1,568)
Total non-operating activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(306,797)</u>
Increase (decrease) in net assets	5,649	(18,880)	(13,231)	(302,006)
Net assets at beginning of year	<u>77,666</u>	<u>223,595</u>	<u>301,261</u>	<u>603,267</u>
Net assets at end of year	<u>\$ 83,315</u>	<u>204,715</u>	<u>288,030</u>	<u>301,261</u>

See accompanying notes to financial statements.

BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
Statement of Revenue, Expenses and Changes in Net Assets
Year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating revenue:			
Administrative fees	\$ 859,204	-	859,204
Interest income from notes receivable	4,964	4,332	9,296
Other income	265	90	355
Net assets released from restrictions	<u>384,094</u>	<u>(384,094)</u>	<u>-</u>
Total operating revenue	<u>1,248,527</u>	<u>(379,672)</u>	<u>868,855</u>
Operating expenses:			
Transfer to ECIDA	859,204	-	859,204
General and administrative	6,287	-	6,287
Provision for loan recoveries	(1,427)	-	(1,427)
Grant expense	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>864,064</u>	<u>-</u>	<u>864,064</u>
Increase (decrease) in net assets from operating activities	<u>384,463</u>	<u>(379,672)</u>	<u>4,791</u>
Non-operating activities:			
Return of grant funds	(305,229)	-	(305,229)
Interest expense	<u>(1,568)</u>	<u>-</u>	<u>(1,568)</u>
Total non-operating activities	<u>(306,797)</u>	<u>-</u>	<u>(306,797)</u>
Increase (decrease) in net assets	77,666	(379,672)	(302,006)
Net assets at beginning of year	<u>-</u>	<u>603,267</u>	<u>603,267</u>
Net assets at end of year	<u>\$ 77,666</u>	<u>223,595</u>	<u>301,261</u>

See accompanying notes to financial statements.

BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
Statements of Cash Flows
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (13,231)	(302,006)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Return of grant funds	-	305,229
Provision for loan (recoveries) losses	18,056	(1,427)
Changes in:		
Accounts payable	(533)	(2,018)
Due to affiliate	<u>3,797</u>	<u>9,688</u>
Net cash provided by operating activities	<u>8,089</u>	<u>9,466</u>
Cash flows from investing activities:		
Issuance of notes receivable	(32,000)	(175,000)
Repayments on notes receivable	<u>70,775</u>	<u>49,365</u>
Net cash provided by (used in) investing activities	<u>38,775</u>	<u>(125,635)</u>
Cash flows from financing activities:		
Repayment of long-term debt	-	(70,763)
Return of grant funds	<u>-</u>	<u>(305,229)</u>
Net cash used in financing activities	<u>-</u>	<u>(375,992)</u>
Net increase (decrease) in cash	46,864	(492,161)
Cash at beginning of year	<u>58,550</u>	<u>550,711</u>
Cash at the end of year	<u>\$ 105,414</u>	<u>58,550</u>
Supplemental disclosure of cash flow information - cash paid for interest	<u>\$ -</u>	<u>1,568</u>

See accompanying notes to financial statements.

BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2011 and 2010

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Buffalo and Erie County Industrial Land Development Corporation (ILDC) was incorporated for the purpose of participating in the acquisition and development of industrial sites and to provide financial assistance for the acquisition or renovation of fixed assets by industrial companies locating or expanding in the County of Erie. ILDC manages a number of revolving loan funds each of which is dedicated to improving economic conditions in parts of or all of the County of Erie. Each revolving loan fund is maintained under an agreement or an established loan administration plan approved by the grantor governing the management of the revolving loan funds.

ILDC has a related party relationship with the Erie County Industrial Development Agency (ECIDA), the Buffalo and Erie County Regional Development Corporation (RDC), and ATC of Buffalo and Erie County, Inc. (ATC). All four entities are managed by the same personnel. These entities share the same mission, which is to provide resources that encourage investment, innovation, growth and global competitiveness thereby creating a successful business climate that benefits the residents of the region.

In 2009, ILDC by-laws and organizing documents were amended to reflect a change in its purpose. Effective January 1, 2009, all activities, except for the U.S. Small Business Administration (SBA) Microloan Fund (SBA Microloan) and the Erie County Business Development Fund (Erie County BDF) were granted by resolution of the Board to ECIDA. The remaining net assets in the ILDC reflect activity that is now under the direct governance of Erie County, as the County Executive of Erie County appoints all of the members of the Board. This change was made to allow for ILDC to provide tax-exempt financing to not-for-profit organizations.

The net assets of the General Fund and the Urban Development Action Grant (UDAG) Fund were granted to ECIDA in 2009. ECIDA has established the ECIDA UDAG Fund to account for these temporary restricted net assets.

(b) Basis of Presentation

ILDC reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. ILDC had unrestricted and temporarily restricted net assets at December 31, 2011 and 2010.

BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Temporarily Restricted Net Assets

At December 31, 2009, temporarily restricted net assets consisted of the Erie County BDF revolving loan fund and the SBA Microloan revolving loan fund. These assets were deemed temporarily restricted based on the fact that they can be used only to lend to qualified businesses, as defined by criteria within the respective grants. All repayments of principal and interest are added back to the self-perpetuating fund to be used for future lending purposes. The debt payable to the SBA was repaid during 2010. Therefore, the net assets of the SBA funds became unrestricted in 2010.

(d) Estimates

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

(e) Notes Receivable and Allowance for Doubtful Loans

Notes receivable are stated at their principal amount outstanding, less an allowance for doubtful loans. Loans are accounted for from inception within the individual fund from which the grant funds were received. Similarly, interest income and commitment fees on loans are recorded directly to the individual fund in which the loan is maintained. The allowance for doubtful loans is established through charges against current operations and is maintained at a level which management considers adequate to provide for potential loan losses based on their evaluation of past loan experience, current economic conditions and known risks in the loan portfolio. Interest is not accrued on notes receivable when management believes that the borrower's financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful. In such cases, interest is recognized on a cash basis when collection occurs.

(f) Industrial Development Revenue Bond and Note Transactions

Industrial development revenue bonds and notes issued by ILDC are secured by the properties that are leased to not-for-profit agencies and are retired by lease payments. The conduit debt arising from bonds and notes are not obligations of ILDC, ECIDA, Erie County or New York State. ILDC does not record the assets or liabilities resulting from completed bond and note issues in its accounts, since its primary function is to facilitate the financing between the borrowing companies and the bond and note holders. ILDC receives bond administrative fees from the borrowing not-for-profit agencies for providing this service and remits the fees to ECIDA. The original issue value of bonds and notes issued by ILDC aggregated approximately \$7 million in 2011.

BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Subsequent Events

ILDC has evaluated events after December 31, 2011, and through February 12, 2012, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(h) Income Taxes

ILDC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The ILDC has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The ILDC presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the ILDC has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the ILDC are subject to examination by taxing authorities. The ILDC is no longer subject to tax examination for the year ended December 31, 2007 and prior.

(i) Reclassifications

Reclassifications have been made to certain 2010 balances in order to conform them to the 2011 presentation.

(2) Cash and Equivalents

Cash balances as of December 31, 2011 and 2010 were either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized as required in accordance with the ILDC's investment policy.

(3) Notes Receivable

Notes receivable represent loans made to local businesses to complement private financing at interest rates between 2% and 6.875% with varying repayment terms. At December 31, 2011 and 2010, notes receivable were comprised of the following:

	<u>2011</u>	<u>2010</u>
Notes receivable	\$ 228,300	296,460
Less: Allowances for doubtful loans	<u>(36,432)</u>	<u>(47,761)</u>
	191,868	248,699
Current portion	<u>(86,255)</u>	<u>(72,462)</u>
Notes receivable, long-term	\$ <u>105,613</u>	<u>176,237</u>

BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(3) Notes Receivable, Continued

A summary of current, past due and nonaccrual loans receivable as of December 31, 2011 are as follows:

<u>Category</u>	<u>Current</u>	<u>30 - 90 days past due</u>	<u>Nonaccrual</u>	<u>Total</u>
Commercial	\$ <u>187,965</u>	<u>10,865</u>	<u>29,470</u>	<u>228,300</u>

(4) Allowance for Doubtful Loans

Changes in the allowance for doubtful loans for the years ended December 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Balance at beginning of year	\$ 47,761	49,188
Provision for loan (recoveries) losses	18,056	(1,427)
Write-off of uncollectible loans	<u>(29,385)</u>	<u>-</u>
Balance at end of year	\$ <u>36,432</u>	<u>47,761</u>

(5) Long-term Debt

ILDC acts as a conduit agency to provide small businesses with loans from the U.S Small Business Administration (SBA). In connection with these loans, ILDC's loan payable to the SBA amounted to \$70,763 at December 31, 2009. This loan accrued interest at 3.625% and was due in monthly payments of principal and interest of \$2,198 through November 2012. During 2010, ILDC repaid the entire loan balance.

(6) Related Party Transactions

Related party transactions as of and for the years ended December 31, 2011 and 2010 consist of the following:

(a) Personnel and Overhead Costs

ECIDA allocates a portion of its personnel and overhead costs to ILDC. ILDC was charged \$3,797 and \$5,391 in 2011 and 2010, respectively, for such costs. The amount outstanding to ECIDA at December 31, 2011 and 2010 related to these costs amounted to \$9,188 and \$5,391, respectively.

(b) Shared Services - Administrative Fees

ILDC has a shared services agreement with ECIDA under which administrative and staffing services are provided to ILDC in connection with bond issuances in exchange for the administrative fees received by the ILDC related to these bond obligations. ILDC transferred \$71,250 and \$859,204 in administrative fees to ECIDA in 2011 and 2010, respectively.

BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(7) Return of Grant Funds

In 2010, ILDC and the County of Erie amended their original agreement regarding Community Development Block Grants funds. The amendment establishes the funding level of the Erie County BDF at \$200,000. The ILDC did not remit funds to the County during 2011. At December 31, 2011, ILDC maintains \$204,715 in temporarily restricted net assets and will return \$4,715 to the County as cash becomes available through the collection of notes receivable.

(8) Contingencies

ILDC is involved in various legal proceedings which, in the opinion of management, will not have a material adverse effect on its financial position or changes in net assets.

BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
Statement of Financial Position by Revolving Loan Fund
December 31, 2011

<u>Assets</u>	Erie County Business Development <u>Fund</u>	SBA Microloan <u>Fund</u>	<u>Total</u>
Current assets:			
Cash	\$ 56,295	49,119	105,414
Current portion of notes receivable	<u>60,054</u>	<u>26,201</u>	<u>86,255</u>
Total current assets	<u>116,349</u>	<u>75,320</u>	<u>191,669</u>
Long-term receivables:			
Notes, less current portion	130,586	11,459	142,045
Allowance for doubtful loans	<u>(32,968)</u>	<u>(3,464)</u>	<u>(36,432)</u>
Total long-term receivables	<u>97,618</u>	<u>7,995</u>	<u>105,613</u>
Total assets	<u>\$ 213,967</u>	<u>83,315</u>	<u>297,282</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	64	-	64
Due to affiliate	<u>9,188</u>	<u>-</u>	<u>9,188</u>
Total current liabilities	9,252	-	9,252
Net assets - temporarily restricted	<u>204,715</u>	<u>83,315</u>	<u>288,030</u>
Total liabilities and net assets	<u>\$ 213,967</u>	<u>83,315</u>	<u>297,282</u>

BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
Statement of Revenue, Expenses and Changes in
Net Assets by Revolving Loan Fund
Year ended December 31, 2011

	Erie County Business Development <u>Fund</u>	SBA Microloan <u>Fund</u>	<u>Total</u>
Operating revenue - interest income from notes receivable	\$ 6,032	3,469	9,501
Operating expenses:			
General and administrative	4,280	396	4,676
Provision for loan (recoveries) losses	<u>20,632</u>	<u>(2,576)</u>	<u>18,056</u>
Total operating expenses	<u>24,912</u>	<u>(2,180)</u>	<u>22,732</u>
Increase (decrease) in net assets	(18,880)	5,649	(13,231)
Net assets at beginning of year	<u>223,595</u>	<u>77,666</u>	<u>301,261</u>
Net assets at end of year	<u>\$ 204,715</u>	<u>83,315</u>	<u>288,030</u>

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

The Board of Directors
Buffalo and Erie County Industrial
Land Development Corporation:

We have audited the financial statements of Buffalo and Erie County Industrial Land Development Corporation (ILDC), and ILDC's internal control over financial reporting based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), as of and for the year ended December 31, 2011, and have issued our report thereon dated February 12, 2012. We conducted our audit of the financial statements 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, and our audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered ILDC'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, and for the purpose of expressing an opinion on the effectiveness of ILDC'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of ILDC's financial statements will not be prevented, detected and corrected, on a timely basis.

Our audits would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ILDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including Investment Guidelines for Public Authorities and ILDC's Investment Guidelines, 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 that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors and management of ILDC and is not intended to be and should not be used by anyone other than these specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
February 12, 2012