

**BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF  
COUNTY OF ERIE, NEW YORK**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Buffalo Erie County Industrial Land Development Corporation (ILDC), a component unit of County of Erie, which comprise the balance sheet as of December 31, 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements. We have also audited ILDC's internal control over financial reporting as of December 31, 2012, based on *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

### 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, for maintaining internal control over financial reporting including the design, implementation, and maintenance of controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to error or fraud, and for its assertion about the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*.

### Auditors' Responsibility

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 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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. An audit of internal control over financial reporting involves 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 other such procedures as we considered necessary in the circumstances.

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

## **Definitions and Inherent Limitations of Internal Control**

An entity's internal control over financial reporting is a process affected 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ILDC as of December 31, 2012, and the changes in its financial position and its cash flows for the year then ended in accordance 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, 2012, based on *Internal Control – Integrated Framework* issued by the COSO.

## **Other Matters**

As described in Note 2 to the financial statements, ILDC adopted GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities* in 2012.

The financial statements of ILDC as of December 31, 2011 were audited by other auditors whose report dated February 12, 2012 expressed an unmodified opinion on those statements.

### *Management's Discussion and Analysis*

ILDC has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

*Supplementary Information*

The additional information on pages 11 and 12 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2013 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 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 ILDC's internal control over financial reporting and compliance.

*Lumsden & McCormick, LLP*

February 11, 2013



## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Buffalo and Erie County Industrial Land Development Corporation's (ILDC) (a component unit of County of Erie) 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 ILDC'S internal control over financial reporting as of December 31, 2012, 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, 2012, ILDC'S internal control over financial reporting is effective based on the criteria established in *Internal Control – Integrated Framework*.

Buffalo and Erie County Industrial Land Development Corporation  
February 11, 2013

**BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION**  
**( A Component Unit of County of Erie, New York)**

---

**Balance Sheets**

December 31,	2012	2011
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 132,925	\$ 105,414
Loans receivable (Note 3)	66,839	86,255
	<u>199,764</u>	<u>191,669</u>
<b>Non-current portion of loans receivable (Note 3):</b>		
Loans receivable	128,894	142,045
Allowance for uncollectible loans	(39,156)	(36,432)
	<u>89,738</u>	<u>105,613</u>
	<u>\$ 289,502</u>	<u>\$ 297,282</u>
 <b>Liabilities and Net Position</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 61	\$ 64
Due to affiliate (Note 4)	2,281	9,188
	<u>2,342</u>	<u>9,252</u>
 <b>Net position:</b>		
Restricted	200,737	204,715
Unrestricted	86,423	83,315
	<u>287,160</u>	<u>288,030</u>
	<u>\$ 289,502</u>	<u>\$ 297,282</u>

See accompanying notes.

**BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION**  
**(A Component Unit of County of Erie, New York)**

**Statements of Revenues, Expenses, and Changes in Net Position**

For the years ended December 31,	2012	2011
<b>Operating revenues:</b>		
Administrative fees	\$ 105,250	\$ 71,250
Interest income from loans	5,801	9,501
Application fees	30	-
Total operating revenues	111,081	80,751
<b>Operating expenses:</b>		
Transfer to ECIDA	105,250	71,250
General and administrative	3,987	4,676
Provision for uncollectible loans	2,724	18,056
Total operating expenses	111,961	93,982
Operating loss	(880)	(13,231)
<b>Nonoperating revenue:</b>		
Interest income	10	-
Change in net position	(870)	(13,231)
Net position - beginning	288,030	301,261
<b>Net position - ending</b>	<b>\$ 287,160</b>	<b>\$ 288,030</b>

See accompanying notes.

**BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION**  
**(A Component Unit of County of Erie, New York)**

---

**Statements of Cash Flows**

For the years ended December 31,	2012	2011
<b>Operating activities:</b>		
Administrative and application fees	\$ 105,280	\$ 71,250
Principal and interest on loans	75,462	80,276
Loans awarded	(37,094)	(32,000)
Payments to vendors	(116,147)	(72,662)
<b>Net operating activities</b>	<b>27,501</b>	<b>46,864</b>
<b>Investing activities:</b>		
Interest income	10	-
<b>Change in cash</b>	<b>27,511</b>	<b>46,864</b>
Cash - beginning	105,414	58,550
<b>Cash - ending</b>	<b>\$ 132,925</b>	<b>\$ 105,414</b>
<b>Reconciliation of operating loss to net cash flows from operating activities:</b>		
Operating loss	\$ (880)	\$ (13,231)
Adjustments to reconcile operating loss to net cash flows from operating activities		
Provision for uncollectible loans	2,724	18,056
Changes in other assets and liabilities:		
Loans receivable	32,567	38,775
Accounts payable	(3)	(533)
Due to affiliate	(6,907)	3,797
<b>Net operating activities</b>	<b>\$ 27,501</b>	<b>\$ 46,864</b>

See accompanying notes.

# BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION (A Component Unit of County of Erie, New York)

---

## Notes to Financial Statements

---

### 1. Summary of Significant Accounting Policies:

#### Nature of Organization:

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 (the County). ILDC manages a number of revolving loan programs each of which is dedicated to improving economic conditions in part or all of the County. Each revolving loan program is maintained under an agreement or an established loan administration plan approved by the grantor governing the management of the revolving loan programs.

ILDC has related party relationships with Erie County Industrial Development Agency (ECIDA) and Buffalo and Erie County Regional Development Corporation (RDC). All three 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 accordance with Governmental Accounting Standards Board Statement No. 14, “*The Financial Reporting Entity*,” as amended by GASB Statements No. 39 and 61, ILDC is considered a component unit of the County. The County, acting by and through the County Executive, is the sole member of ILDC and is financially accountable for it; as a result, ILDC is included in the statements of the County as a discretely presented component unit.

#### Basis of Presentation:

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. ILDC applies all GASB pronouncements as well as applicable accounting and financial reporting guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

#### Measurement Focus:

ILDC reports as a special-purpose government engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. ILDC’s financial statements are reported 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.

ILDC’s policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made to purchase those goods or services. Certain other transactions are reported as nonoperating activities and include ILDC’s interest income.

**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. Actual results could differ from those estimates.

**Cash:**

Cash management policies are governed by New York State (the State) laws and as established in ILDC's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within New York State. Management is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's deposits may not be returned to it. At December 31, 2012, ILDC's bank deposits were fully collateralized by FDIC coverage.

**Loans Receivable:**

Loans receivable are stated at the principal amount outstanding, net of an allowance for uncollectible loans. The allowance method is used to compute the provision for uncollectible loans.

Determination of the balance of the allowance for uncollectible loans is based on an analysis of the loan portfolio and reflects an amount that, in management's judgment, is adequate to provide for potential loan losses. Loans are written off when, in management's judgment, no legal recourse is available to collect the amount owed.

Interest on loans receivable is accrued as required by the terms of the agreement; management considers that collection is probable based on the current economic condition of the borrower. Interest accrual stops when management adjusts a loan reserve to 50% or more of the loan's outstanding balance.

**Net Position:**

- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets whose use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by ILDC.

**Tax-Exempt Bond Transactions:**

ILDC is an issuer of tax-exempt bond financing for not-for-profit entities. These bonds are obligations of the borrower. Since ILDC has no obligation to repay the principal and interest of such bonds, they are not reflected as liabilities in the accompanying financial statements. ILDC receives bond issuance fees from the borrower for providing this service. ILDC also 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 related bond issuance fees received by ILDC. Bond issuance fees are recognized immediately upon issuance of the related bond. The original value of tax-exempt bonds issued by ILDC aggregated approximately \$11,000,000 and \$7,000,000 in 2012 and 2011.

**Income Taxes:**

ILDC is a 501(c)(3) organization exempt from income taxes under §509(a) of the Internal Revenue Code. Management believes ILDC is no longer subject to examination by Federal taxing authorities for years ended prior to December 31, 2009.

## 2. Change in Accounting Principle

In 2012, ILDC adopted GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. These statements require reporting of deferred outflows and inflows of resources separately from assets and liabilities and replace net assets with net position. In addition, certain items previously reported as assets and liabilities are now recognized as outflows or inflows of resources. Other than renaming net assets with net position, these statements had no impact on ILDC's financial position or results of operations.

## 3. Loans Receivable

The revolving loan programs were originally funded through the Erie County Business Development Fund (Erie County BDF) and the United States Small Business Administration (SBA Microloan). Assets maintained in the Erie County BDF are restricted pursuant to original grant terms.

Loans made to local businesses from the Erie County BDF and SBA Microloan programs complement private financing at interest rates ranging from 2% to 6.875% with varying repayment terms. All loans are classified as commercial loans. The following is a summary of the loans receivable:

	2012	2011
Current	\$ 161,707	\$ 187,965
30-90 days past due	-	10,865
Non-accrual	34,026	29,470
	<b>195,733</b>	228,300
Less allowance	39,156	36,432
Less current portion	66,839	86,255
	<b>\$ 89,738</b>	<b>\$ 105,613</b>

Following is a summary of the activity in the allowance for uncollectible loans:

	2012	2011
Balance, beginning of year	\$ 36,432	\$ 47,761
Additions charged to operations	9,645	20,632
Recoveries	(6,921)	(2,576)
Write-offs	-	(29,385)
	<b>\$ 39,156</b>	<b>\$ 36,432</b>

## 4. Related Party Transactions

### Personnel and Overhead Costs:

ECIDA allocates a portion of its personnel and overhead costs to ILDC which amounted to \$2,021 and \$3,797 in 2012 and 2011. The amount outstanding to ECIDA at December 31, 2012 and 2011 related to these costs amounted to \$2,281 and \$9,188.

### 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 ILDC related to these bond transactions. ILDC transferred \$105,250 and \$71,250 in administrative fees to ECIDA in 2012 and 2011, respectively.

**BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION**  
**(A Component Unit of County of Erie, New York)**

**Supplementary Information**  
**Schedule of Balance Sheets - By Revolving Loan Program**

December 31, 2012  
(with summarized comparative totals as of December 31, 2011)

	Operating	Erie County BDF Program	SBA Microloan Program	Total	
				2012	2011
<b>Assets</b>					
<b>Current assets:</b>					
Cash	\$ -	\$ 65,742	\$ 67,183	\$ 132,925	\$ 105,414
Loans receivable	-	62,747	4,092	66,839	86,255
	-	128,489	71,275	199,764	191,669
<b>Non-current portion of loans receivable:</b>					
Loans receivable	-	111,469	17,425	128,894	142,045
Allowance for uncollectible loans	-	(36,879)	(2,277)	(39,156)	(36,432)
	-	74,590	15,148	89,738	105,613
	\$ -	\$ 203,079	\$ 86,423	\$ 289,502	\$ 297,282
<b>Liabilities and Net Position</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ -	\$ 61	\$ -	\$ 61	\$ 64
Due to affiliate	-	2,281	-	2,281	9,188
	-	2,342	-	2,342	9,252
<b>Net position:</b>					
Restricted	-	200,737	-	200,737	204,715
Unrestricted	-	-	86,423	86,423	83,315
	-	200,737	86,423	287,160	288,030
	\$ -	\$ 203,079	\$ 86,423	\$ 289,502	\$ 297,282

**BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION**  
**(A Component Unit of County of Erie, New York)**

**Supplementary Information**  
**Schedule of Revenues, Expenses, and Changes in Net Position - By Revolving Loan Program**

For the year ended December 31, 2012  
(with summarized comparative totals for December 31, 2011)

	Operating	Erie County BDF Program	SBA Microloan Program	Total	
				2012	2011
<b>Operating revenues:</b>					
Administrative fees	\$ 105,250	\$ -	\$ -	\$ 105,250	\$ 71,250
Interest income from loans	-	3,809	1,992	5,801	9,501
Application fees	-	30	-	30	-
Total operating revenues	105,250	3,839	1,992	111,081	80,751
<b>Operating expenses:</b>					
Transfer to ECIDA	105,250	-	-	105,250	71,250
General and administrative	-	3,906	81	3,987	4,676
Provision for uncollectible loans (recoveries)	-	3,911	(1,187)	2,724	18,056
Total operating expenses	105,250	7,817	(1,106)	111,961	93,982
Operating income (loss)	-	(3,978)	3,098	(880)	(13,231)
<b>Nonoperating revenue:</b>					
Interest income	-	-	10	10	-
Change in net position	-	(3,978)	3,108	(870)	(13,231)
Net position - beginning	-	204,715	83,315	288,030	301,261
<b>Net position - ending</b>	<b>\$ -</b>	<b>\$ 200,737</b>	<b>\$ 86,423</b>	<b>\$ 287,160</b>	<b>\$ 288,030</b>

**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***

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Buffalo and Erie County Industrial  
Land Development 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 Buffalo and Erie County Industrial Land Development Corporation (ILDC), a component unit of County of Erie, New York, which comprise the balance sheet as of December 31, 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 11, 2013.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ILDC'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.

*Lumsden & McCormick, LLP*

February 11, 2013

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Buffalo and Erie County Industrial Land Development Corporation (ILDC), a component unit of County of Erie, New York, which comprise the balance sheet as of December 31, 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated February 11, 2013.

In connection with our audit, nothing came to our attention that caused us to believe that ILDC failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2012. 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 ILDC'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.

*Lumsden & McCormick, LLP*

February 11, 2013