



April 15, 2012

Hon. Betty Jean Grant, Chairwoman  
 Erie County Legislature  
 92 Franklin Street  
 4<sup>th</sup> Floor  
 Buffalo, New York 14202

ED

Dear Chairwoman Grant,

As you may know, on July 1, 2005 the City of Buffalo, County of Erie, Erie County Industrial Development Agency (ECIDA) and Buffalo Urban Development Corporation (BUDC) entered into the Buffalo Lakeside Commerce Park Development and PILOT Redistribution Agreement. Under this agreement a portion of property taxes paid by tenants in the Buffalo Lakeside Commerce Park (BLCP) is held in a fund which is administered by the ECIDA (known as the Buffalo Brownfields Redevelopment Fund). BUDC will utilize the fund to pay for further eligible development costs at BLCP and subsequently other brownfield properties in the City of Buffalo.

Under the July 1, 2005 agreement, the ECIDA and BUDC must prepare and submit an annual joint report to the City of Buffalo and County of Erie. Each joint report *“shall identify the End Users, the amount of PILOT payments made by each End User, the respective shares of the PILOT Payments remitted to the County, the City and the Fund, and shall include a schedule setting forth the Fund balance at the beginning and end of the calendar year, all disbursements made to BUDC from the Fund and the amount of interest earned on the Fund balance during the calendar year.”*

Given the size of the PILOT payments that flow through the Fund, BUDC & ECIDA staff determined that the Fund should be audited on an annual basis by ECIDA’s external auditors. A copy of their report is included with this letter as well as a detailed schedule outlining the source and usage of funds in accordance with the above agreement.

Please feel free to contact me if you have any questions on the above.

Sincerely,

Andrew Schoeppich  
 BUDC – CFO  
 ECIDA - CFO

AS/rm

9M-14

**Erie County Industrial Development Agency**  
**Buffalo Brownfield Fund (a/c# 1042 & 2535)**  
 Summary of Account as at December 2011

Date	Description	City of Buffalo Taxes		Erie County Taxes		Interest	Reimb.	Transfer From/(To) Deposit. a/c	Eligible Proj/ Admin Costs	Account Balance
		Receipts (100%)	Disbursements (Pilot Share)	Receipts (100%)	Disbursements (Pilot Share)					
	Opening Balance									663,470.55
1/3/2011	Sonwil - City of Buffalo Taxes	174,417.55								837,888.10
1/10/2011	City of Buffalo TEP receipt Re: Parcel 3 (1/2)						249,303.65			1,087,191.75
1/11/2011	Cobey - City of Buffalo Taxes	96,186.15								1,183,377.90
1/13/2011	City share of Cobey Taxes (30%)		(28,855.85)							1,154,522.05
1/13/2011	City share of Sonwil Taxes (20%)		(34,883.51)							1,119,638.54
1/25/2011	Man-O-Trees - Parcel 3 Park Project (#9)								(150,597.82)	969,040.72
2/4/2011	Transfer to Key operating a/c							(650,000.00)		319,040.72
2/7/2011	C&S Engineers - Phase 4 Road								(2,831.06)	316,209.66
2/7/2011	C&S Engineers - Phase 4 Road								(14,798.24)	301,411.42
2/14/2011	Sonwil - County Taxes			58,385.94						359,797.36
2/18/2011	Cobey - County Taxes			32,198.13						391,995.49
2/24/2011	Certainleed - County Taxes			53,663.55						445,659.04
2/28/2011	Keybank - Loan Interest (Feb 2011)								(531.99)	445,127.05
2/28/2011	Bank Interest - January 2011					177.24				445,304.29
3/3/2011	County share of Cobey Taxes (30%)				(9,659.44)					435,644.85
3/3/2011	County share of Sonwil Taxes (20%)				(11,677.19)					423,967.66
3/3/2011	County share of Certainleed Taxes (40%)				(21,465.42)					402,502.24
3/8/2011	City of Buffalo TEP receipt Re: Parcel 3 (3/4/5)						150,188.25			552,690.49
3/21/2011	City of Buffalo TEP receipt Re: Parcel 3 (6)						218,049.57			770,740.06
3/22/2011	BUDC re: County share of TEP Re: Parcel 3						83,356.51			854,096.57
3/22/2011	Transfer to Key operating a/c							(450,000.00)		404,096.57
3/31/2011	Bank Interest - February 2011					64.67				404,161.24
4/30/2011	Bank Interest - March 2011					81.31				404,242.55
5/9/2011	National Fuel								(54,500.00)	349,742.55
5/31/2011	City of Buffalo TEP receipt Re: Parcel 3 (7)						120,738.26			470,480.81
5/31/2011	Bank Interest - April 2011					66.46				470,547.27
6/15/2011	Man-O-Trees - Parcel 3 Park Project (#10)								(6,600.60)	463,946.67
6/30/2011	Bank Interest - May 2011					66.29				464,012.96
7/6/2011	BUDC - 2005-2010 BLCP costs reimb.								(437,840.00)	26,172.96
7/8/2011	Donald J. Braasch Construction - rocks								(1,200.00)	24,972.96
7/25/2011	Cobey - City of Buffalo Taxes	94,943.15								119,916.11
7/29/2011	Certainleed - City of Buffalo Taxes	158,238.58								278,154.69
7/31/2011	Bank Interest - June 2011					77.11				278,231.80
8/1/2011	Sonwil - City of Buffalo Taxes	172,163.58								450,395.38
8/4/2011	City share of Cobey Taxes (40%)		(37,977.26)							412,418.12
8/4/2011	City share of Certainleed Taxes (40%)		(63,295.43)							349,122.69
8/4/2011	City share of Sonwil Taxes (30%)		(51,649.07)							297,473.62
8/10/2011	County of Erie						159,618.05			457,091.67
8/10/2011	Man O'Trees - Parcel 3 Park Project (#11/12)								(344,672.12)	112,419.55
8/22/2011	Man O'Trees - Parcel 3 Park Project								(110,000.00)	2,419.55
8/26/2011	Return of portion of deposit a/c							125,000.00		127,419.55
8/31/2011	Bank Service Charge								(50.00)	127,369.55
8/31/2011	Bank Interest - July 2011					23.63				127,393.18
9/6/2011	Donald J. Braasch Construction - rocks								(4,100.00)	123,293.18
9/13/2011	Funds Transferred from Deposit a/c to BUDC Key Op a/c							145,663.00		268,956.18
9/14/2011	Visone Construction - Force Main								(145,663.00)	123,293.18
9/23/2011	BUDC (re: Man O'Trees 8/22/2011 inv)								(49,618.05)	73,675.13
9/26/2011	BUDC - reimbursement						3,159.92			76,835.05
9/26/2011	BUDC - reimbursement						57,702.20			134,537.25
9/26/2011	BUDC - reimbursement						1,113.40			135,650.65
9/30/2011	Bank Service Charge								(40.00)	135,610.65
9/30/2011	Bank Interest - August 2011					34.75				135,645.40
10/4/2011	National Grid - Phase 4 Road								(74,585.32)	61,060.08
10/24/2011	Man O'Trees - Parcel 3 Park Project Additional (#1) - portion								(60,000.00)	1,060.08
10/31/2011	City of Buffalo - reimb. (rec'd by BUDC 10/28/11)						292,457.12			293,517.20
10/31/2011	Bank Service Charge Refund (net)								35.00	293,552.20
10/31/2011	Bank Interest - September 2011					20.97				293,573.17
11/2/2011	Funds Transferred from Deposit a/c to BUDC Key Op a/c							99,933.70		393,506.87
11/7/2011	Visone Construction - Force Main								(99,933.70)	293,573.17
11/7/2011	Man O'Trees - Parcel 3 Park Project (#14)								(206,001.36)	87,571.81
11/30/2011	Bank Service Charge								(40.00)	87,531.81
11/30/2011	Bank Interest - October 2011					14.62				87,546.43
12/19/2011	BUDC - reimbursement re: 10/24/11 pymt						60,000.00			147,546.43
12/28/2011	Certainleed - City of Buffalo Taxes	158,238.58								305,785.01
12/28/2011	City share of Certainleed Taxes (40%)		(63,295.43)							242,489.58
12/31/2011	Bank Service Charges - Nov/Dec 2011								(50.00)	242,439.58
12/31/2011	Bank Interest - November 2011					21.42				242,461.00
12/31/2011	Bank Interest - December 2011					24.55				242,485.55

2011 Activity	854,187.59	(279,956.55)	144,247.62	(42,802.05)	673.02	1,395,686.93	(729,403.30)	(1,763,618.26)
Add: 2011 Rec'ble - Sonwil	172,163.58	(51,649.07)						
Add: 2011 Rec'ble - Cobey	94,943.15	(37,977.26)						
Less: 2010 Rec'ble - Sonwil	(174,417.55)	34,883.51						
Less: 2010 Rec'ble - Cobey	(96,186.15)	28,855.85						
	850,690.62	(305,843.52)	144,247.62	(42,802.05)				

646,292.67 = a/c 5020

**BUFFALO BROWNFIELDS  
REDEVELOPMENT FUND**

**Special Purpose Fund of  
Erie County Industrial Development Agency**

**December 31, 2011 and 2010**

**(With Independent Auditors' Report Thereon)**

**TOSKI & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Erie County Industrial Development Agency:

We have audited the accompanying special-purpose statements of net assets of the Buffalo Brownfields Redevelopment Fund of the Erie County Industrial Development Agency as of December 31, 2011 and 2010, and the related special-purpose statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These special-purpose statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these special-purpose statements based on our audits.

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

The accompanying special-purpose statements were prepared for the purpose of complying with a fund administration agreement dated July 1, 2005 between Erie County Industrial Development Agency, the City of Buffalo, the County of Erie and the Buffalo Urban Development Corporation, and is not intended to be a complete presentation of the Erie County Industrial Development Agency's assets, liabilities, revenues and expenses.

In our opinion, the special-purpose statements referred to above present fairly, in all material respects, the statements of net assets of the Buffalo Brownfields Redevelopment Fund 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 in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Board of Directors and the management of Erie County Industrial Development Agency, the City of Buffalo, the County of Erie and the Buffalo Urban Development Corporation and should not be used by anyone other than these specified parties.

*Toski & Co., CPAs, P.C.*

Williamsville, New York  
February 12, 2012

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BUFFALO BROWNFIELDS REDEVELOPMENT FUND  
 Statements of Net Assets  
 December 31, 2011 and 2010

	<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash		\$ 973,394	663,471
Prepaid expenses		769	5,000
Receivables:			
PILOTs		267,107	270,604
Due from other governments		<u>772,137</u>	<u>871,345</u>
Total receivables		<u>1,039,244</u>	<u>1,141,949</u>
Total assets		<u>\$ 2,013,407</u>	<u>1,810,420</u>
<u>Liabilities and Net Assets</u>			
Accounts payable		575,762	168,227
PILOTs due to City of Buffalo		<u>89,626</u>	<u>63,739</u>
Total liabilities		665,388	231,966
Temporarily restricted net assets		<u>1,348,019</u>	<u>1,578,454</u>
Total liabilities and net assets		<u>\$ 2,013,407</u>	<u>1,810,420</u>

See accompanying notes to financial statements.

BUFFALO BROWNFIELDS REDEVELOPMENT FUND  
 Statements of Revenue, Expenses and Changes in Net Assets  
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue:		
City of Buffalo PILOT	\$ 850,690	861,828
County of Erie PILOT	144,248	150,737
Reimbursements	-	331,242
Total operating revenue	994,938	1,343,807
Operating expenses:		
City of Buffalo share of PILOT	305,844	255,728
County of Erie share of PILOT	42,802	45,220
Eligible project costs	876,805	917,323
Fund administration expenses	2,100	2,100
Total operating expenses	1,227,551	1,220,371
Operating income (loss)	(232,613)	123,436
Non-operating revenue - interest revenue	2,178	2,703
Increase (decrease) in net assets	(230,435)	126,139
Net assets at beginning of year	1,578,454	1,452,315
Net assets at end of year	\$ 1,348,019	1,578,454

See accompanying notes to financial statements.

BUFFALO BROWNFIELDS REDEVELOPMENT FUND  
 Statements of Cash Flows  
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts:		
PILOT receipts	\$ 998,435	741,961
Reimbursements	<u>          -</u>	<u>331,242</u>
Total receipts	<u>998,435</u>	<u>1,073,203</u>
Payments:		
Share of PILOT receipts paid to the City of Buffalo and the County of Erie	322,759	237,209
Payments to vendors	-	7,100
Site improvements at Buffalo Lakeside Commerce Park	<u>836,128</u>	<u>899,694</u>
Total payments	<u>1,158,887</u>	<u>1,144,003</u>
Net cash used in operating activities	(160,452)	(70,800)
Cash flows from investing activities - interest income	2,178	2,703
Cash flows from financing activities - due from other governments	<u>468,197</u>	<u>(720,747)</u>
Net increase (decrease) in cash	309,923	(788,844)
Cash at beginning of year	<u>663,471</u>	<u>1,452,315</u>
Cash at end of year	<u>\$ 973,394</u>	<u>663,471</u>
Cash flows from operating activities:		
Operating income (loss)	(232,613)	123,436
Adjustment to reconcile operating income (loss) to net cash used in operating activities:		
Changes in:		
Prepaid expenses	4,231	(5,000)
Receivables	3,497	(270,604)
Accounts payable	38,546	17,629
PILOTs due to City of Buffalo	<u>25,887</u>	<u>63,739</u>
Net cash used in operating activities	<u>\$ (160,452)</u>	<u>(70,800)</u>

See accompanying notes to financial statements.

## BUFFALO BROWNFIELDS REDEVELOPMENT FUND

### Notes to Financial Statements

December 31, 2011 and 2010

#### (1) Summary of Significant Accounting Policies

##### (a) Nature of Activities

The Buffalo Brownfields Redevelopment Fund (the Fund) was formed in July 2005 by agreement between the Erie County Industrial Development Agency (ECIDA), the City of Buffalo (the City), the County of Erie (the County) and Buffalo Urban Development Corporation (BUDC) for the purpose of remediation and redeveloping brownfield properties in the City of Buffalo. Under this agreement, ECIDA receives payment-in-lieu-of-taxes (PILOT) payments from owners of property at the Buffalo Lakeside Commerce Park (Park). A portion of these PILOT payments are paid to the City of Buffalo and the County of Erie, while the remainder are held in the Fund to assist in further development of the Park.

##### (b) Financial Reporting Entity

These special-purpose statements present Buffalo Brownfields Redevelopment Fund which is accounted for and is a part of the ECIDA's financial statements. ECIDA records the Fund as restricted assets and liabilities. ECIDA administers the Fund as set forth in the July 1, 2005 agreement under Article III and IV.

##### (c) Basis of Accounting

The accompanying special-purpose statements have been prepared on the accrual basis of accounting in accordance 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. ECIDA applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

##### (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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### (e) Subsequent Events

The Fund has evaluated events after December 31, 2011, and through February 12, 2012, which is the date the special-purpose 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 special-purpose statements.



## BUFFALO BROWNFIELDS REDEVELOPMENT FUND

### Notes to Financial Statements, Continued

#### (2) Due From Other Governments

BUDC has agreed to assist the County and the City in connection with the development of Parcel 3 (Ship Canal Commons) of the Park. BUDC will be reimbursed from the County and City from Federal, State and local sources earmarked by grants from the New York State Department of Transportation and New York State Department of Environmental Conservation. BUDC is providing management services and cash flow financing through the Fund. The receivable from the County and City amounted to \$772,137 and \$871,345 at December 31, 2011 and 2010, respectively.

#### (3) Reimbursements

The Fund receives reimbursement of expenses incurred from various sources. The Fund received \$331,242 from the Dormitory Authority of New York State (DASNY), passed through BUDC, for year ended December 31, 2010. The Fund did not accrue these reimbursements in accounts receivable because there was uncertainty as to whether there were enough DASNY grant funds to reimburse the Fund for the costs incurred.

#### (4) Commitments

Associated with the development of Parcel 3 as described in note 2, the Fund has agreed to pay for change orders and cost overages of up to \$50,000.

#### (5) Construction Loan Agreement

On February 4, 2011, BUDC entered into a construction loan agreement with Key Bank for up to \$2,440,000. This loan provides cash flow financing to BUDC during the construction of Phase IV of the Park. BUDC is the recipient of a grant from ESDC in the amount of \$2,440,000, which is to be paid upon reaching certain milestones of completion of the entire project.

Terms of the construction loan require that all principal and interest be repaid February 29, 2012. Interest shall be at the adjusted LIBOR rate. BUDC pledged all proceeds from the ESDC grant agreement, cash in the Fund and a negative pledge of the property which requires 50% of the sale proceeds be remitted to the lender.

**TOSKI & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH PROVISIONS OF THE BUFFALO  
LAKESIDE COMMERCE PARK FUND ADMINISTRATION AGREEMENT

The Board of Directors  
Erie County Industrial Development Agency:

We have examined the Buffalo Brownfields Redevelopment Fund's compliance with Article III section 3.02, 3.03, 3.04 a, b, c, d, e, 3.05 and Article IV 4.01 of the Buffalo Lakeside Commerce Park Fund Administration Agreement for the year ended December 31, 2011. Management is responsible for the Buffalo Brownfields Redevelopment Fund's compliance with the aforementioned agreement. Our responsibility is to express an opinion on Buffalo Brownfields Redevelopment Fund's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Buffalo Brownfields Redevelopment Fund's compliance with those requirements referred to in the preceding paragraph and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Buffalo Brownfields Redevelopment Fund's compliance with specific requirements.

In our opinion the Buffalo Brownfields Redevelopment Fund complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2011.

This report is intended solely for the information and use of the Board of Directors and the management of Erie County Industrial Development Agency, the City of Buffalo, the County of Erie and the Buffalo Urban Development Corporation and should not be used by anyone other than these specified parties.

*Toski & Co., CPAs, P.C.*

Williamsville, New York  
February 12, 2012