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Certified Public Accountants

March 16, 2017

To the Board of Directors of the Town of
Clarence Industrial Development Agency:

In planning and performing our audit of the basic financial statements of Town of Clarence Industrial Development Agency (the "Agency"), as of and for the year ended December 31, 2016, 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, we considered the Agency's internal control over financial reporting ("internal control") 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given those 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.

During our audit we identified certain matters involving internal control, other operational matters and new reporting requirements that are presented for your consideration. This letter does not affect our report dated March 16, 2017 on the financial statements of the Agency. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with the appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized in Exhibit I.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

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Related Party Payment

Each year the Agency reimburses the Town of Clarence (the "Town") for administrative expenses. The Agency was unable to produce an agreement or calculation supporting the amount paid to the Town. Absent supporting documentation, this amount could be construed as a grant and interpreted as unallowable.

We recommend that the Town and Agency formalize the arrangement for administrative expenses.

Procurement Policies and Procedures

The Agency was unable to provide an invoice or updated contract with a consultant of the Agency. Additionally, the Agency could not provide verification of receiving written or faxed quotations, as is required by the Agency's procurement policy, for the purchase of public works or services between $5,001 and $20,000.

We recommend that the Agency formalize a contract between the Agency and the consultants as well as maintaining appropriate documentation required by the Agency's procurement policy.

New Reporting Requirements

The Governmental Accounting Standards Board ("GASB") has adopted several new pronouncements, which may have a future impact upon the Agency. These should be evaluated to determine the extent the Agency will be impacted in future years.

GASB Statement No. 73—The Agency is required to implement GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, effective for the fiscal year ending December 31, 2017. The requirements of this Statement establish new reporting requirements for those pensions and pension plans that are not administered through a trust meeting the requirements of GASB Statements No. 67 and No. 68.

GASB Statement No. 74—The Agency is required to implement GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans*, effective for the fiscal year ending December 31, 2017. The requirements of this Statement address the financial reports of defined benefit OPEB plans that are administered through trusts that meet certain criteria. This Statement replaces GASB Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans*.

GASB Statement No. 75—The Agency is required to implement GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the fiscal year ending December 31, 2018. This Statement replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, and will require more extensive note disclosures and required supplementary information about their OPEB liabilities.

GASB Statement No. 80—The Agency is required to implement GASB Statement No. 80, *Blending Requirements for Certain Component Units*, effective for the fiscal year ending December 31, 2017. The purpose of this Statement is to clarify the financial statement presentation requirements for certain component units.

GASB Statement No. 81—The Agency is required to implement GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for the fiscal year ending December 31, 2017. This Statement will improve accounting and financial reporting by establishing recognition and measurement requirements for irrevocable split-interest agreements.

GASB Statement No. 82—The Agency is required to implement GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the fiscal year ending December 31, 2017. This Statement addresses issues regarding (1) the presentation of payroll-related measures in the supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statement No. 83—The Agency is required to implement GASB Statement No. 83, *Certain Asset Retirement Obligations*, effective for the fiscal year ending December 31, 2019. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs).

GASB Statement No. 84—The Agency is required to implement GASB Statement No. 84, *Fiduciary Activities*, effective for the fiscal year ending December 31, 2019. This statement establishes criteria for identifying fiduciary activities of all state and local governments.