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Certified Public Accountants

February 26, 2015

To the Members 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 years ended December 31, 2014 and 2013, 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.

We did identify a certain matter involving internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated February 26, 2015 on the financial statements of the Agency. Our comment and recommendation, which has been discussed with the appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. Our comment is summarized in Exhibit I.

We also summarized new reporting requirements in Appendix A. These should be evaluated to determine the extent the Agency will be impacted in the future years.

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.

Drescher & Malecki LLP

February 26, 2015

Exhibit I

Documentation for the substantiation of purchases

The Office of the New York State Comptroller ("OSC") specifies the following as required documentation to substantiate proper purchases:

- Itemization of all receipts
- Documentation of the purpose for which the purchase was made
- The names of individuals for whom expenses were incurred.

Although a credit card receipt may be sufficient for the reimbursement of expenses within the Agency's internal policies, the OSC specifies the documentation listed above is required to substantiate purchases. The OSC requires that documentation is maintained to verify that purchases rather than donations were made, as well as verify that non-allowable purchases are not being reimbursed.

During our audit, we identified certain vouchers that did not completely fulfill the requirements of the OSC.

We recommend the Agency update its policy to ensure compliance with OSC guidelines.

NEW REPORTING REQUIREMENTS

The Governmental Accounting Standards Board ("GASB") has adopted several new pronouncements, which may have a future impact upon the Agency:

GASB Statement No. 68—The Agency is required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for fiscal year ending December 31, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

GASB Statement No. 71—The Agency is required to implement GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

GASB Statement No. 72—The Agency is required to implement GASB Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal year ending December 31, 2016. This statement provides guidance for determining the fair value measurement for financial reporting purposes and for disclosures related to all fair value measurements.