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Certified Public Accountants

March 21, 2019

To Management and 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, 2018, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

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 these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

In addition, during our audit we identified matters involving the internal control and other operational items, as well as new reporting requirements that are presented for your consideration. This letter does not affect our report dated March 21, 2019 on the financial statements of the Agency. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of 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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Exhibit I

PILOT Transfer

The Agency should have standard procedures in place to ensure sales of properties assigned Payment in Leiu of Taxes ("PILOTs") are monitored. During the year ended December 31, 2018, a property with a PILOT agreement was sold to a non-approved corporation. As a result, the property was inappropriately awarded school tax incentives by the Clarence Central School District, which may be at risk of scrutiny by the New York State Authorities and Budget Offices.

We recommend that the Agency formalize procedures to monitor sales of properties that the Agency maintains PILOT agreements with.

Website Review

Per New York State requirements under NYCRR Title 19 Part 250, the Agency is required to provide information to the public on its website, such as policies, application forms and all completed applications for projects. It was noted during review of the Agency's website, that all approved, completed standard application forms should be provided to the public.

We recommend that the Agency review its website for transparency requirements of the NYS ABO.

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. 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.

GASB Statement No. 87—The Agency is required to implement GASB Statement No. 87, *Leases*, effective for the fiscal year ending December 31, 2020. The objective of this Statement is to better meet the needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial reporting statements by requiring recognition of certain assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the governments' leasing activities.

GASB Statement No. 88—The Agency is required to implement GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the fiscal year ending December 31, 2019. The objective of this Statement is to improve the information that is disclosed in noted to government financial statements related to debt, including direct borrowings and direct placements. This Statement also clarifies which liabilities governments should include when disclosing information related to debt.

GASB Statement No. 89—The Agency is required to implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the fiscal year ending December 31, 2020. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs.

GASB Statement No. 90—The Agency is required to implement GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, effective for the fiscal year ending December 31, 2019. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.