
Certified Public Accountants

February 22, 2013

The Members of the Town of
Clarence Industrial Development Agency:

We have audited the financial statements of Town of Clarence Industrial Development Agency (the "Agency") as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated February 22, 2013.

We have prepared the following comments relating to the year ended December 31, 2012, to assist you in fulfilling that obligation to oversee the financial reporting and disclosure process for which management of the Agency is responsible.

Our Responsibility Under Generally Accepted Auditing Standards

Our responsibility under auditing standards generally accepted in the United States of America ("generally accepted auditing standards") has been described to you in our engagement letter dated November 5, 2012. As described in that letter, those standards require, among other things, that we obtain an understanding of the Agency's internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. The financial statements were prepared by management with the oversight of those charged with governance. The auditor is responsible for forming and expressing an opinion about whether those financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Significant Issues Discussed with Management

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as auditors.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. During the year ended December 31, 2012, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

Audit Adjustments

Our audit was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement, whether caused by error or fraud. There were no material proposed adjustments.

Uncorrected Misstatements

We are required to accumulate all known and likely misstatements identified during the audit, other than those judged to be trivial, and communicate them to management. During our audit, we noted no material uncorrected errors.

Significant Accounting Policies

The Agency's significant accounting policies are set forth in Note 1 to the Agency's financial statements for the year ended December 31, 2012. The Agency's financial statements for the year ended December 31, 2012 have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Agency has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 15 and No. 34*; No. 65, *Items Previously Reported as Assets and Liabilities*; and No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, effective for the year ending December 31, 2013; No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*; and No. 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending December 31, 2014; and No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for the year ending December 31, 2015. The Agency is therefore unable to disclose the impact that adopting GASB Statements No. 61, 65, 66, 67, 68, and 69 will have its financial position and results of operations when such statements are adopted.

During the year ended December 31, 2012, the Agency adopted the provisions of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions— an amendment of GASB Statement No. 53*. The adoption of Statements No. 57, 60, 62, and No. 64 did not have a material impact on the Agency's financial position or results of operations.

The Agency also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of required components of the residual measure and by renaming the measure as net position, rather than net assets. GASB Statement No. 63 did not have a material impact on the Agency’s financial position or results of operations.

During the year ended December 31, 2011, the Agency adopted the provisions of GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 59, *Financial Instruments Omnibus*. The adoption of GASB Statements No. 54 and 59 did not have a material impact on the Agency’s financial position or results of operations.

Alternative Accounting Treatments

We had no discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, related to the years ended December 31, 2012 and 2011.

Disagreements With Management

We have not had any disagreements with management related to matters that are material to the Agency’s financial statements.

Consultation With Other Accountants

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2012 and 2011.

Significant Difficulties Encountered in Performing the Audit

In our judgment, we received the full cooperation of the Agency’s management and staff and had unrestricted access to the Agency’s senior management in the performance of our audit.

Independence

We are not aware of any matters that would impair our independence.

Other Material Written Communications

Written communication that we believe constitute other material written communications between management and us related to the audit for the year ended December 31, 2012 are:

- Engagement letter dated November 5, 2012 (copy attached)
- Management representation letter dated February 22, 2013 (copy attached)
- Management letter dated February 22, 2013 (copy provided under separate cover)

This report is intended solely for the information and use of members of the Agency, its management, the New York State Office of the State Comptroller and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Drescher & Malecki LLP