
Certified Public Accountants

March 7, 2012

Board of Directors of the
Town of Clarence Industrial Development Agency
Clarence, New York

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, 2011 and 2010 on which we have issued our report dated March 7, 2012, in accordance with auditing standards generally accepted in the United States of America, 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.

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 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We have summarized an accounting, administrative and operating matter in Exhibit I.

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

This communication is intended solely for the information and use of the Agency's Board of Directors, management, and others within the Agency and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss these recommendations with you.

Yours truly,



Drescher & Malecki LLP

Supporting documentation for expenditures

All purchases and expenditures should be properly supported. In particular the Office of the New York State Comptroller specifies the following to substantiate purchases:

- Itemized receipts
- Documentation of the purpose for which the purchase was made
- Names of individuals for whom expenditures were incurred

During our audit, we identified expenditures that lacked sufficient documentation to substantiate a properly documented purchase.

We recommend that the Agency adopt a policy that requires, as part of the review and approval of expenses, adequate supporting documentation be included in the voucher package. The supporting documentation should include an itemized invoice, an explanation of the purpose of the expense, and the names of the individuals for whom the expenditure was made.

EXHIBIT II

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. 57—The Agency is required to implement GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* for the fiscal year December 31, 2012. This Statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (“OPEB”) plans.

GASB Statement No. 60—The Agency is required to implement GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, for the fiscal year December 31, 2012. This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into.

GASB Statement No. 61— The Agency is required to implement GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, for the year ending December 31, 2013. This statement is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively.

GASB Statement No. 62— The Agency is required to implement GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for the year ending December 31, 2012. This Statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements.

GASB Statement No. 63— The Agency is required to implement GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the fiscal year December 31, 2012. This statement establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

GASB Statement No. 64— The Agency is required to implement GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), effective for fiscal year December 31, 2012. This statement will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when swap counterparty, or swap counterparty’s credit support provider, is replaced.