

MANAGEMENT LETTER

March 18, 2016

The Finance & Audit Committee, Board of Directors, and Management
Erie County Industrial Development Agency
Buffalo and Erie County Regional Development Corporation
Buffalo and Erie County Industrial Land Development Corporation

In planning and performing our audits of the financial statements of Erie County Industrial Development Agency (ECIDA), Buffalo and Erie County Regional Development Corporation, and Buffalo and Erie County Industrial Land Development Corporation (collectively, the Organizations), business-type activities, as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Organizations' 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 separate financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' 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 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these 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.

INFORMATIONAL POINTS

1. In February 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 72, *Fair Value Measurement and Application*. This statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. GASB expects this statement to enhance comparability of financial statements among governments by using a consistent and more detailed definition of fair value and accepted valuation techniques. The requirements of this statement are effective for the Organizations' year ending December 31, 2016, with earlier application encouraged.

2. In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Financial statement disclosures of affected governments will need to include details regarding the tax abatement agreement, including:
- A summary of the agreement, including a description of the tax being abated, the authority under which the abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
 - The gross dollar amount by which the reporting government's tax revenues were reduced during the reporting period; and
 - Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Although this information is not required to be disclosed in ECIDA's financial statements, reporting governments, including Erie County, the City of Buffalo, and applicable school districts, may need ECIDA's assistance in collecting and reporting this information. This Statement is effective for financial statements for periods beginning after December 15, 2015.

This communication is intended solely for the information and use of management, the Finance & Audit Committee, Board of Directors, and others within the Organizations. It is not intended to be, and should not be, used by anyone other than these specified parties.

Lumaden & McCormick, LLP