Drescher & Malecki LLP
2721 Transit Road, Suite 111
Elma, New York 14059
Telephone: 716.565.2299
Fax: 716.565.2201

Certified Public Accountants

March 9, 2023

To the Board of Directors of the Buffalo
Erie Niagara Land Improvement Corporation:

In planning and performing our audit of the financial statements of Buffalo Erie Niagara Land Improvement Corporation (the "Corporation") as of and for the year ended December 31, 2022, 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 Corporation'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 opinion 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 Corporation'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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit we identified certain matters involving the internal control, other operational matters, and future reporting requirements that are presented for your consideration. This letter does not affect our report dated March 9, 2023 on the financial statements of the Corporation. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with 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 is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

Drescher & Malecki LLP

March 9, 2023

Year-End Procedures

Currently, the Corporation does not maintain a year-end checklist to outline procedures and tasks to be addressed during close-out of the fiscal year. As a result, during the testing of accounts payable, we found various disbursements that were not appropriately accrued at year-end.

We recommend that the Corporation implement a year-end checklist containing procedures and tasks to be addressed at close out of the fiscal year. Such information will be beneficial to the Corporation by ensuring consistent application of accounting procedures, as well as providing guidance in the event of employee turnover.

Accounting Standards Update

The Financial Accounting Standards Board ("FASB") released the following Accounting Standards Update ("ASU"), which will potentially have an impact on the Corporation's financial statement presentation for the year ending December 31, 2023.

- ASU 2020-11, *Financial Services – Insurance (Topic 944)*: The objective of ASU 2020-11: Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI), is to (1) provide additional time for implementation by deferring the effective date of LDTI by one year for all insurance entities and (2) provide transition relief to facilitate early application of LDTI and encourage accelerated delivery of better information to investors and other financial statement users.

- ASU 2021-08, *Business Combinations (Topic 805)*: The objective of ASU 2021-08 is to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to (1) recognition of an acquired contract liability and (2) payment terms and their effect on subsequent revenue recognized by the acquirer.

- ASU 2022-01, *Derivatives and Hedging (Topic 815)*: The objective of ASU 2022-01 is to make improvements to the optional hedge accounting model with the objective of improving hedge accounting to better portray the economic results of an entity's risk management activities in its financial statements.

- ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326*): The objective of ASU 2022-02 is to provide resources to monitor and assist stakeholders with the implementation of Topic 326. Post-Implementation Review (PIR) activities have included forming a Credit Losses Transition Resource Group, conducting outreach with stakeholders of all types, developing educational materials and staff question-and-answer guidance, conducting educational workshops, and performing an archival review of financial reports.

- ASU 2022-04, *Liabilities – Supplier Finance Programs (Subtopic 405-50)*: The objective of ASU 2022-04 is to enhance the transparency of supplier finance programs. Stakeholders observed that there is a lack of transparency about supplier finance programs because (1) there are no explicit disclosure requirements in generally accepted accounting principles (GAAP) specific to those programs and (2) a buyer party may present obligations covered by those programs in the same balance sheet line item as accounts payable or in another balance sheet line item depending on the facts and circumstances of the arrangement.

- ASU 2022-05, *Financial Services – Insurance (Topic 944)*: The objective of ASU 2022-05: Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI), is to reduce implementation costs and complexity associated with the adoption of LDTI for contracts that have been derecognized in accordance with the amendments in this Update before the LDTI effective date.