Erie County Fiscal Stability Authority
Audit Committee
Minutes
June 23, 2006

Note: the following is a draft copy of minutes of a meeting of the audit committee of the Erie County Fiscal Stability Authority ("ECFSA"), which was held June 23, 2006. These minutes will not become final until approved at a subsequent meeting of ECFSA audit committee directors, and may be amended before approval)

Vice Chairman William Joyce called the meeting of the Erie County Fiscal Stability Authority ("ECFSA") Audit Committee to order at 10:30 a.m. at the offices of the Buffalo-Niagara Partnership, 665 Main Street, Buffalo, New York. Notice of the meeting had previously been distributed to the members and announced to the public and press. The meeting was open to the public and press.

Directors Present: William Joyce, Vice Chair; Kenneth Kruly and Stanley Keysa

Others Present: Lee Van Riper, Gail Keil, Ken Vetter and Joseph Klimek.

Director Joseph Goodell joined the meeting after it had started

Vice Chairman Joyce called on Joseph Klimek from the audit firm of Toski, Schaefer & Co., P.C. to review the draft document with the committee. Mr. Klimek referred to the second page of the audit and stated there were no unusual transactions for the agency. "We had your financial statements at a cash basis and converted the statements over to an accrual basis. We had adjustments for accounts payable, accounts receivable and adjustments for prepaid items which is standard."

"As far as your financial statements, we want to make sure your numbers agree with our numbers. There was some consultation with other accountants and there was no difficulty while conducting the audit in your office."

Director Keysa noted that the audit has to be published by law and also transmitted to the County Comptroller.

Director Joyce stated that he does not think that access to the document should be limited because of the fact that ECFSA is a public agency and any documents that we present and that are presented to us are available to the public.

Joe Klimek stated he would change the last paragraph in the audit to state that the audit will be public knowledge.

Director Joyce asked to what extent the auditors examined financial transactions. Joe Klimek stated: “That is part of the procedure and all of the financial transactions were looked at because it is a small agency.” They did confirm the sales tax transaction with the State Department of Taxation and Finance.

Director Goodell asked if a transaction with a board member would be identified as a related party transaction and Joe Klimek responded: “Yes, but that there were no transactions with board members other than reimbursement for the operations, that is, for travel and expense.”

Joe Klimek then referred to specifics of the audit report. “Page one is the audit report for the fiscal year ending December 2005 and the statements are unqualified.”

Page 3 of the report was discussed, stating there is a separate management discussion and an analysis of the ECFSA. “The ECFSA is a governmental agency. There are two applicable sets of accounting rules; the government- wide statements and the government-fund statements. Since the ECFSA has only a one-fund financial report, there is no all-funds report.”

Page 5 of the report covers balances. “There was $88,000 in fund balance at the end of the year and prepaid expense for a portion of the rent. Sales tax receivables from NYS of $12 million offset the Erie County sales tax accrual.” Joe Klimek stated that the money from the State to the County is transferred within minutes after the ECFSA receives it. There was an accounts payable liability of $54,598.

Director Joyce asked” “How do we determine the amount of funds we will need as far as paying expenses?” For 2005, it was explained that the sales tax intercept was based on the projected budget and since most of the large expenses were professional services under contract, they were predictable.

Mr. Van Riper explained that sales tax transfers typically occur twice a month and there is also an interest payment from the State on the money they have held while it is waiting to be transferred. The ECFSA reports monthly to the Budget Division of the County and to the State Comptroller on the sales tax intercepted and transferred, as required by statute.

Joe Klimek continued by stating: “At the end of December 2005 we had total other assets of $35,531.”

Director Joyce then asked if the cash balance was invested in any way. Mr. Van Riper responded that it is in a working account, a checking account and does not collect interest. “It was what the ECFSA established upon formation and an interest earning account needs to be established.”

Joe Klimek continued with an explanation of page 6 which states that total expenses were $1,116,000 for 2005.

Joe Klimek then went through the expenses of payroll, payroll taxes and professional services, in which the PFM expense was the largest at $864,000, and there were other professional services. Director Joyce observed: “We must be under budget for the current year, 2006?” Mr. Van Riper stated: “Absolutely, our expenses have been held to a minimum.”

Director Joyce asked what was budgeted for 2006 and Mr. Van Riper responded: “A total of $1.8 million, $1.4 million as projected last August when the ECFSA was formed and an additional $400,000 in State funding for the Office of Management and Productivity. The $1.4 million as projected last August was what the County assumed in its budget for 2006.”

Mr. Vetter stated that that was correct. “In the original financial plan there was a projection of $1.4 million for Fiscal Stability expenditures in 2006 and the County budgeted the exact amount projected.”

Joe Klimek continued reviewing pages 7, 8, and 9, and described the ECFSA’s legal status. “The ECFSA is governed by seven directors that are appointed by the Governor, including one each appointed upon the recommendation of the Majority Leader of the State Senate, the Speaker of the Assembly, and the State Comptroller. The Governor also designated the Chairman and Vice Chairman.”

Joe Klimek continued discussing the summary of significant accounting policies of the ECFSA. “It is on an accrual basis right now because there are no equipment or property purchases. There was no long term debt in 2005.”

He continued by noting that transactions with and on behalf of Erie County are disclosed. “The sales tax revenue, which was $137 million for 2005 were intercepted by the ECFSA and $136 million was, submitted right back to Erie County. The balance was retained for ECFSA operations as described previously."

Joe Klimek continued that on page 9 was the independent audit report on internal controls. "We must look at your internal control procedure over financial reporting and report upon it. We must also look at compliance with other matters. We know no matters involving the internal control over financial reporting and its operation that we considered to be a material weakness."

He continued by stating that they looked at the establishment of the ECFSA and the rules that comply. However, providing an opinion on compliance was not an objective of this audit. They do not express an opinion.

The audit is in draft form, and Mr. Klimek stated that Toski, Schaefer & Co., P.C. will add official language stating that it is open to the public, as previously discussed, in the final version.

He continued that page 11 of the report is a review of the Investment Guidelines, which were approved upon formation of the board. "There have not been any financings by or investments made by the ECFSA in 2005. The report as issued states that the Board had complied with the law."

Director Joyce asked if Toski, Schaefer & Co., P.C. had any other relationships with the ECFSA. Joe Klimek responded that the answer was no. Under government audit standards they must remain independent are not allowed any consulting or other agreements beside the audit.

Director Joyce referred Mr. Klimek back to a memo dated May 19, 2006, the Public Authorities Accountability Act. "Our compliance needs to be with in 90 days next year, which would put us into March 2007. Is that correct?" Mr. Klimek responded "Yes, March 31, 2007."

Director Joyce then asked it there were any other questions from the committee members.

Director Keysa stated that the board members are required to attend a public authorities training school, which is set up by the State. The State has set up a Public Authorities Office and they are required to hold training sessions and to train the attendees. Every Director has to take the training. Director Keysa said he had attended, along with Gail Keil and Director Kruly. He stated that he thought there would be another session coming up soon and that the remaining members should attend.

Director Goodell then asked how the cash is transferred from ECFSA to the County.

Lee VanRiper responded: "An e-mail is sent to the County Comptroller by the State Comptroller stating that amount of sales tax funds to be transferred within the next three days to the ECFSA. The County Comptroller responds back upon agreement with the amount of the transfer." He continued that a letter is then prepared to be sent to the bank stating that when the money comes into the ECFSA account, please distribute the following amount to the County's account. "We decide if and how much to retain by looking at our cash flow and current balance."

He continued that he then signs the letter and it is faxed to the bank. Gail Keil confirms by a phone from the bank administration. "At first, there were two signatures required, the Executive Director and the Treasurer. The bank suggested we could authorize one signature and a follow-up confirmation by phone call to expedite the process."

Mr. Van Riper stated that a report then gets distributed to the offices of both Comptrollers and the County of all the sales tax transactions that occurred.

Director Keysa noted that State law allows the ECFSA to withhold funds for administrative purposes, and then for payments on any bonds that have been issued by the ECFSA. "They have elected for us not to do any financings."

Mr. Van Riper stated that the County wants the money as soon as it comes in. "We accommodate their request to transfer it electronically as soon as it gets into our account."

Director Joyce asked for the Committee to temporarily adjourn and convene in an executive session.

After the executive session ended, the Committee reconvened Director Joyce stated that there were no votes taken and they had needed an opportunity to discuss the audit in confidence with the auditor. Director Joyce then asked for a motion for committee approval of the audit. Director Keysa stated that he so moved, with the final paragraph of the audit report to be amended by stating that the audit has to filed with the State Comptroller, the County Comptroller, the Governor's Office and the Fiscal Committees of the State Senate and Assembly and will be made available for the public. The motion was seconded by Mr. Goodell and the Committee voted unanimously to approve.

Director Joyce stated the committee would ask for formal ECFSA approval of the audit at the ECFSA's next meeting.

Joe Klimek stated he would have the audit changed as requested and sent to the ECFSA office.

Director Joyce stated that he thought a mini-audit should be performed from the end of the fiscal year to mid-July by Toski, Schaefer & Co., P.C.. He felt that it was appropriate due to the change of Executive Directors. He will recommend that a limited engagement audit by Toski, Schaefer & Co., P.C. be approved by the ECFSA.

Director Joyce asked for a motion for approval to recommend the mini-audit. Direct Goodell moved and Director Keysa seconded the motion. The motion was unanimously approved.

Director Joyce asked for a motion to adjourn the meeting. Director Keysa moved and Director Goodell seconded. The motion was unanimously approved, and the meeting was adjourned.

Respectfully submitted,

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Stanley J. Keysa
Secretary
March 26, 2007