ECFSA

Audit Committee Meeting

May 14, 2010

Attendees: Chairman John Johnson, Secretary Stanley Keysa, Director Daniel Oliverio, Executive Director Kenneth Vetter

Guests: Joseph Klimek, CPA

Chairman Johnson: "Welcome to a meeting of the ECFSA Audit Committee. I would like to welcome any guests, media and public officials we have in the room. Today we are here to receive a presentation on the Authority's 2009 audit. We have with us Mr. Klimek from Toski, Schaefer & Company to speak with us about the scope of our audit. Before I ask Mr. Klimek to take the podium, let me take it over to our Corporate Secretary, Mr. Keysa to cover the minutes of our last meeting."

Secretary Keysa: "Thank you Mr. Chairman, you have before you the hard copy of the minutes of the last meeting that was March 25, 2009. You may have also received a copy of those late last night. I'm not sure if you got a chance to review those because they were running late but nevertheless they have been distributed previously."

Secretary Keysa moves to accept the minutes of the March 25, 2009 meeting, Chairman Johnson seconds and the committee votes unanimously to approve the minutes.

Chairman Johnson: "I would like to invite Mr. Klimek to come to the podium please and share with us your thoughts on the scope of the audit."

Joseph Klimek: "Good morning everyone. On behalf of Toski, Schafer & Co. , I am pleased to report results of the ECFSA for the year ending December 31, 2009, to the members of the audit committee today. I will also report to the Board later a copy of the report dated April 9, 2010. In our professional standards it is our duty to present to the audit committee the conduct of the audit, the scope of the audit and the results of the audit. On qualitative accounts of the audit, management is responsible for its financial statements and to select appropriate accounting policies. There were no new accounting policies for the year ended 2009. The financial statements have accounting estimates for the 2009. For the 2009 financial the major estimate was the accounts receivable for the sales tax from New York State. We had no issues with how the management determined the collectability of that receivable."

"There were no difficulties encountered in dealing with management in performing or completing our audit. "

"During the year ended December 31, 2009 Toski & Schaffer recorded approximately 30 audit adjustment recorded with the net income effect totaling $1,680,000 correcting the recording of new transactions with Erie County and year-end sales tax revenue on accounts receivable for efficiency grants . All of the proposed adjustments were accepted by management."

"There were no disagreements with management during the conduct of our audit."

"Management consultation with other independent accounts, we were not aware of any other consultation during the fiscal year ended 2009."

"As a result of our audit, we issued the financial statement and issues a clean opinion an unqualified opinion on the Authority's financial statements for the year ended December 31, 2009."

"There are no material weaknesses based on internal control as management has the capability of preparing its financial statements in accordance with GAAP."

"The Authority also complies with the Public Authority investment guidelines. That is really the extent of my report. If there are any questions with the financial statements I would be pleased to take those questions at any time."

Chairman Johnson: "I would like to call on our Executive Director for any question he may have."

Executive Director Vetter "Thank you Mr. Chairman. Just very briefly, I would like to thank Mr. Klimek and Toski, Schafer & Co. for their work and they have done a wonderful job for us. I would just like to point out a few items in our financials and in our budget. As indicated in our audit report, we had spent about 70% of our budget for 2009. We are under in all major categories; professional fees, salaries, fringe benefits, office supplies, meeting expenses, travel. We really wanted to make sure we watched the nickels and dimes and saved a few dollars. I think we did pretty well in 2009. We are looking to do better in 2010. I think with Mr. Klimek's help we have also upgraded our systems so that our financial reporting can be even better in 2010. So overall we have a pretty good situation, under spent budget significantly, expense items are under control and we are looking to a better job in the future."

Secretary Keysa: "I have a question; I note that in report there was the need for 30 correcting adjustments with the County. Did you feel that was an unusual number?"

Joseph Klimek: "Yes, for the current year it was but this year the Authority became involved with BAN's and bonds and recording transactions with Erie County that were very unusual for the first year, so the accounting adjustments regarding that were kind of new. We made those adjustments with Mr. Panek here and our financial director. Also every year the books are on a cash basis and have to get adjusted to an accrual basis in the end of the year. Those are kind of normal adjustments but altogether they were more numerous this year."

Executive Director Vetter "One of the things, based upon comments from our public accountants, was that we only had one work site and this was causing a constraint in our accounting system. What we have done since and we have completed the project is expanded it to a financial network and what will occur on a regular basis because we go through a cash basis system and accruals will be made on a quarterly basis. Last year was an anomaly in the we did a RAN and BAN. This year we are paying off the BAN with a bond. So the reconciliation of the entries is fairly significant. Now that we have gone to a long term bond and I don't know if we will be issuing a RAN this year but based upon the financial analysis and the systems that we now have in place it will be a lot easier. There may be a few adjusting entries but we will be doing this quarterly now that we have the system capabilities and the financial analysis as the ability to get into the network without physically displacing people."

Secretary Keysa: "You had only one terminal that could access the system?"

Executive Director Vetter "Yes and we had to make some major changes in the system, we had to expand our memory and acquire the software to make sure everything would go through. So it took us about a month to do that but at this point there are three people who can access the system at one time."

Secretary Keysa: "Another item I wanted to ask about, are all the checks reconciled regularly and anything that is over aged is that being addressed?"

Executive Director Vetter "Yes and the public accounts commented on that and noted that they have been reconciled and any outstanding checks have been investigated so that there is no issue with that in 2009."

Secretary Keysa: "How frequently is that being done?"

Executive Director Vetter: "On a monthly basis."

Secretary Keysa: "We have a notation that some were over 6 months old at the end of the year."

Executive Director Vetter "I think that that refers to a comment from 2008's audit."

Joseph Klimek: "Yes that is correct and management has addresses that situation."

Secretary Keysa: "It has been addressed, okay. Again part of the purpose of an audit is to make sure that management is doing things as it should be."

"I understand that State has changed the way in which it handles efficiency grants?"

Executive Director Vetter "Yes, when we originally started out with the efficiency grants, a resolution would be passed by the board. We would notify the State, send them the resolution and they would give us the money almost immediately. What the State went to for cash flow purposes was that they would not pay out the funds until they received paid bills from the County. We went from a very simple system of say we passed this resolution give us the money to we passed the resolution, now we have to get everything from the County, reconcile that , make an entire package together, send it to the State and wait for the funds until their cash flow allows. So it has made accounting for efficiency grants a little more difficult and have had many of discussion on when to realize them. There were two schools of thought. One was when the board passed a resolution on an efficiency grant that we recognize that as a receivable and in talking to our public accountants that the preference would be to recognize it as a receivable once the reimbursement request is sent to the State and cash is received, not when the grant is approved. This is because we are on an accrual basis, unlike the government we don't have to encumber that money."

Secretary Keysa: "I guess it is about arbitrage right now."

Executive Director Vetter: "We get the money in and we ship it out the door."

Secretary Keysa: "So essentially the county has to up front the money and then wait for reimbursement."

Executive Director Vetter: "Yes that was a process change at the State level."

Secretary Keysa: "What kind of time delay are we seeing on that normally?"

Executive Director Vetter: "Depending upon what item it is, 60-90 days. The process seemed to be a little bit quicker earlier year and slower later into the State's fiscal year."

Secretary Keysa: "Mr. Chairman I would also like to note that I met with the auditor aside just to determine if there were any difficulties with staff cooperation. He had none."

Chairman Johnson: "Thank you Mr. Keysa. I am prepared to receive a motion to recommend approval of the ECFSA 2009 Audit Report to the full board."

Secretary Keysa moved to approve, Director Oliverio seconded and the committee voted unanimously to recommend approval of the 2009 audit to the full board.

Chairman Johnson: "Ladies and Gentlemen this pretty much exhausts the agenda or the ECFSA Audit Committee meeting."

Secretary Keysa moved to adjourn, Director Oliverio seconded and the committee voted unanimously to adjourn.

Respectfully submitted,

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Stanley J. Keysa

May 14, 2010