

Audit Committee Meeting
Via ZOOM
May 24, 2021

Present: Chair James Sampson, Director Craig Speers, Director James Connelly, Director Catherine Creighton, Director Oliver Young, Director Craig Speers and Executive Director Kenneth Vetter

Guests: Sarah Dayton and Liz Krauss from Lumsden McCormick

Chairman Sampson: “ I will call this meeting of the Erie County Fiscal Stability Authority to order Audit Committee”

Executive Director Vetter: “Yes, Mr. Chairman.”

Chairman Sampson: “Today the primary purpose of the meeting is to receive an overview of our 2020 financial audit. But prior to doing that, I'd like to draw all the members attention to the minutes from our June 23, 2020 meeting. And if I could have a motion to accept them, please.”

Director Speers moves and Director Oliver seconds.

Chairman Sampson: “Any additions, corrections, all if favor, say I.
The motion was approved 6-0

I think I'll turn it over to you Ken and let you introduce Sarah and Liz and then let them go through it.”

Executive Director Vetter: “Yes, Mr. Chairman, we have both the partner in charge and the senior auditor. Sarah Dayton is the partner and Liz Krauss is the senior on the engagement, this is their first year of the engagement of the three years of the RFP. We really appreciate, given situations with COVID making it

difficult to do things in person how well the engagement went. They were marvelous. Things were done on a timely basis and information flowed pretty well. We are very happy with the first year of the engagement and we look forward to the succeeding years.”

Sarah Dayton:

“Ok, great. Good morning, everyone. Nice to see you all. We are going to just we put together a brief PowerPoint just to help the broad overview. Governmental financial statements are extremely long. So we always find it easier to summarize it for you. So our deliverables for the audit, if we move to the next page lists are first of all, you are hiring us to render an opinion on your financial statements. And what you're hoping for is an unmodified opinion or a clean opinion that your financial statements are fairly presented in accordance with generally accepted accounting principles. So that is what you received on the audit. A clean opinion also within the financial statements as a public authority are required to be audited in accordance with government auditing standards or yellow book standards they're sometimes called. And so that report is also included within the financial statements.

There were no matters found under those procedures either. You're also required to have a report on compliance in accordance with Section 2925 3F of the public authorities' law. And this really just relates to ensuring that you are complying with the requirements for what you can invest in as a governmental entity and a public authority. We also issue a management letter. And once I go through the numbers briefly, Liz, we'll cover those reports for you.”

Sarah Dayton:

“The first page is the balance sheet as of 12/31/2020. So, you know, you work a little bit differently as a control board than most other entities of your assets and your liabilities really kind of coincide so you can see cash and cash

equivalents. So that includes your restricted cash as well, which really comes on the fund based aside from your debt service fund, you can see a decrease in the cash and cash equivalents there, but that is consistent with the decrease down below when your liabilities for amounts to due to the county. Some of that is timing and some of that is just reduced sales tax as well.

Your long -term receivables from the county are related to bonds the Authority issued on behalf of the county. So that's due to apply for payments on those bonds and is again consistent down below on the liabilities and with bonds payable that you also paid down during the year. "Due from other governments" is the amount of December sales tax due, that's most of the amount. So you can see a decline year to year and that December amount by about two point eight million dollars."

Sarah Dayton:

"Then you had some small prepaid expenses as well. The third outflows, which is a category that exists in governmental financial statements, too, it's like a kind of a quasi asset. Most of that is made up of a defeasance and loss on your bond refunding. Basically you take that calculated kind of paper and amortize it over the shorter of the life of the older new debt. So that's being amortized through 2028 against interest on the liability side, for the most part, I think we covered those as we went through the assets.

The only other piece there is the accrued interest on the bonds as of 12/31 for amount's amounts not yet paid. And then deferred inflows is a gain primarily from advance refunding. Your net position increased \$500 to \$4.6 million as of 12/31.

The next page is your income statement. So again, 2020 versus 2019, you can see that decline in sales tax, which you're not used to seeing that on a year to year basis. Again, really, it's a result of COVID and then interest and other income. Your interest income goes down as the bonds go down. There are no new bonds issued. So as far as the amount due goes down, you receive less interest. Similarly, down below, you paid less interest because your bonds payable went down as well."

Sarah Dayton:

"Then you can see there the distributions primarily to the county. There's also about \$3.7 million that you pay to the comptroller's office comes from sales tax, and that's really the payments to the towns and villages, aid and incentives to municipalities. So you can see the break out there, though, between the sales tax and the debt service, set asides and other your general and administrative expenses were consistent year to year, just a slight increase. And again, bringing you down to that change in that position or net income of five hundred and eleven thousand. Any questions on the numbers before I turn it over to Liz?"

Liz Krause:

"So on slide four, we have your communication with those charged with governance, and this is really just breaking out know areas we looked at, but no disclosures and any other interactions we had with management. So here we highlight accounting estimates. This is just more sensitive areas of the financial statements that we do take more into and spend more time on. So we have your recognition of your sales tax revenue and a payments to the county and any accrued interest, income and expenses look heavily at the premium for amortization of bonds and as well as the net pension liability, which is your employee retirement system with New York State and the proportionate share of the liability that is recorded."

Liz Krause:

“Then kind of nearing what a significant accounting estimates there are. We do look at this similar footnote disclosures for your mirror bond receivables, your long-term debt for any bonds issued, and then your pension plan, which is again, the employee retirement system with New York State. We also do highlight footnote eight, which is your risk and uncertainties. And this is just our standard for no disclosure regarding COVID-19 and the implications and the unpredictability of the climate and the environment and how that impacts your financial statements going forward. We also note that we did not have any difficulties in performing the audit. There were no unrecorded adjustments.

Management took responsibility and agreed to all our adjustments suggested during our audit there was no disagreements with management. We did receive certain representations, the management representation letter from management, where they take responsibility for the reports and the documentation that they provided us. We did receive that already. We did not consult with any other independent accountants during this time and there was no other findings or issues. On Slide five, we have your management letter. We reported no material weaknesses. We also did disclose in this report just some informational points. And this is just upcoming Gadsby standards, new reporting standards that are coming down the pike in the coming years. Gadsby eighty-seven, which is lease's, that is for your fiscal year ending twenty, twenty-two.”

Liz Krause:

“It just replaces operating in capital categories with a single model for at least accounting shouldn't impact you greatly as you have a month to month lease for your building and then be ninety six, your subscription based information technology arrangements. This is for your fiscal year ending

2023. This is really results in a right to use subscription at that. An intangible asset and corresponding subscription liabilities either provides the capitalization criteria for outlays other than subscription payments, and it includes implementation costs as well as certain footnotes disclosures that are required. Again, probably nothing that will severely impact your statements, if at all. It's like to point out to it's on the no material weaknesses, when you have a staff size as small as the authorities, it is hard to have a report that doesn't have material weaknesses. So, you really do segregate duties as much as really is possible, given the size of your staff and because of the Board of oversight helping that as well. So, I think that's just that's a good thing to point out, is that you have a no material weaknesses letter still given your size. I think that's really it as far as the summary makes it a lot easier when you don't go page by page through the financial mess, does anyone have any questions?"

Director Young:

"I just got a comment. I just think it's an excellent that you, Lumsden and McCormick, were able to get up to speed on the operations of the agency in such short, short order. That's worthy of a kudos there. I work on the agency for on the board for a while. I'm still trying to fully understand the interplay between the county and me and the state and the bond holders and all that. So, thanks for that. I just have a general question and that is, is it Lumsden and McCormick given any special guidance, guidance to give to your clients regarding the prospects of COVID-19 on balance sheets for the balance of this for the rest of this fiscal year and for next year? Are there any special concerns?"

Sarah Dayton:

"That I mean, sales tax, I think is really the big driver for the authority and I think in sales taxes actually ended up being a lot better than what was always anticipated. The other thing

that I think is a bit frustrating to most governmental entities is the lack of assistance and most of those CARES Act bills. So, there's not much play on payroll or any of those things that that small businesses and nonprofits are allowed. So, there's and I guess in your situation, being a pass through, although it impacts you, you can limit what you get out by what comes in. So, I think from our perspective, there's not as much risk to the authority.”

Chairman Sampson: “OK. Any other questions? If not, could I have a motion to accept the audit as presented and that we will be and to present it to the full board at our next meeting. I would ask for a motion to adjourn.

Director Speers moves and Director Connelly seconds.

The vote is 6-0 to approve.

The meeting is adjourned.