

REQUIRED COMMUNICATIONS

June 25, 2014

To the Board of Directors

Olympic Regional Development Authority

We have audited the financial statements of the business-type activities, of the Olympic Regional Development Authority (Authority) for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 13, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Olympic Regional Development Authority are described in Note 2 to the financial statements. In 2014, the Authority adopted GASB No. 65, *Items Previously Reported as Assets and Liabilities* that reclassified certain items previously reported as assets and liabilities as deferred outflows and inflows of resources. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

Management's estimate of accrued compensated absences which is based on estimated accumulated hours and pay rates as of March 31, 2014.

Qualitative Aspects of Accounting Practices (Continued)

Management's estimate of the depreciable lives of property and equipment which is based on judgments regarding the length of time an asset will provide value to the Authority.

Management's estimate of the accrued postretirement benefits which is based on an actuarial calculation from a third party actuary.

We evaluated the key factors and assumptions used to develop the accounting estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of capital assets in Note 4 to the financial statements describes the historical cost of the property, plant, and equipment. Note 4 also discloses the current year activity for these classifications.

The disclosure of obligations under capital lease agreements in Note 8 to the financial statements describes the types of capital leases. Note 8 also identifies the monthly payment, interest rate, and maturity dates of each capital lease balance.

The disclosure of postretirement benefits liability in Note 12 to the financial statements describes the assumptions used and the components of the actuarial determined obligation.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements as follows:

- Prepaid Insurance – Prepaid insurance was decreased by \$871,000 which increased general insurance and workers' compensation insurance expenditures.
- Accounts Payable – Accounts payable was increased by \$288,000 to account for the purchase of software received in the fall of 2013 but not paid in full at year end.
- Other Post Employment Benefits – Other post employment benefits of \$3,618,420 was adjusted to include the current year 2014 expense.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of this letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Authority’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management’s discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Olympic Regional Development Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bonadio & Co., LLP