

REQUIRED COMMUNICATIONS

June 21, 2016

To the Board of Directors
NYS Olympic Regional Development Authority:

We have audited the financial statements of the business-type activities of NYS Olympic Regional Development Authority (Authority) for the year ended March 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *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 21, 2016. 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 Authority are described in the notes to the financial statements.

As discussed in the footnotes to the financial statements, the Authority adopted *GASB Statement No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71 Pension Transitions for Contributions Made Subsequent to the Transition Date – an amendment of GASB Statement No. 68*.

Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. Statement No. 71 was issued to address the application of the transition provisions of Statement No. 68. These new accounting pronouncements required a restatement of beginning net position as described in the notes to the financial statements.

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, 2016.
- Management's estimate of the depreciable lives of property and equipment which is based on judgements regarding the length of time an asset will provide value to the Authority.

- Management's estimate of other postretirement benefits which is based on an actuarial calculation from a third party.
- Management's estimate of the net pension liability and related deferred outflows of resources is based on actuarial assumptions utilized by an actuary applied to the pension plans' census information.

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 disclosures 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 other 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:

- Fixed Assets Disposals – Disposals of fixed assets of approximately \$230 thousand were recorded to reduce the amount of fixed assets, net of accumulated depreciation.
- Allowance for Doubtful Accounts Receivable – The allowance for doubtful accounts receivable was increased by approximately \$500 thousand to account for a company no longer in business and the expectation that NYS ESDC would not reimburse the Authority for certain expenditures.
- Other Postretirement Benefits – Other post employment benefits of approximately \$4.9 million was adjusted to include the current year expense.
- Deferred outflows of \$2.6 million, pension liability of \$1.7 million and a prior period adjustment of \$500 thousand were recorded to properly conform with GASBs 68 and 71.

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 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