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*Certified Public Accountants*

September 26, 2018

The General Manager and Members of  
the Buffalo Sewer Authority Board  
Buffalo Sewer Authority  
10<sup>th</sup> Floor City Hall  
Buffalo, New York 14202-3378

The General Manager and Members of the Buffalo Sewer Authority Board:

We have audited the financial statements of the Buffalo Sewer Authority (the “Authority”) as of and for the year ended June 30, 2018, and have issued our report thereon dated September 26, 2018. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated June 5, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding other matters in a separate letter to you dated September 26, 2018.

## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. Except for the matters discussed below, there have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2018.

During the year ended June 30, 2018, the Authority implemented GASB Statements No. 81, *Irrevocable Split-Interest Agreements*; No. 82, *Pension Issues*; an amendment of GASB Statements No. 67, No. 68, and No. 73; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*, effective for the year ended June 30, 2018. GASB Statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB statements. GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Statements No. 81, 82, 85, and 86 did not have a material impact on the Authority's financial position or results from operations.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive estimates affecting the financial statements at June 30, 2018 are the allowance for receivables, the liabilities for compensated absences, judgments and claims, other post-employment benefits (“OPEB”) obligation, and the net pension liability.

Management's estimates of the allowance for doubtful accounts, the liabilities for compensated absences, judgments and claims, OPEB obligation and the net pension liability are based on available information regarding eligibility, leave balances accrued, current compensation rates, past trends, estimates of third party specialists, and actuarial valuations. We evaluated the key factors and assumptions used to develop the estimates for the allowance for receivables the liabilities for compensated absences, OPEB obligation and the net pension liability and determined that they are reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified material misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The proposed journal entries for the year ended June 30, 2018, including those material misstatements, either individually or in the aggregate, to the financial statements taken as a whole, that we identified as a result of our audit procedures and were brought to the attention of, and corrected by management, are attached to the management representation letter dated September 26, 2018 as Exhibit I (copy attached).

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain representations from management, which are included in the attached letter dated September 26, 2018.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings or Issues**

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

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This report is intended solely for the information and use of the Board Members and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

*Drescher & Maleski LLP*

September 26, 2018





#### ADMINISTRATIVE OFFICES

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FAX: (716) 883-3789

September 26, 2018

Drescher & Malecki LLP  
3083 William St. Suite 5  
Cheektowaga, NY 14227



This representation letter is provided in connection with your audit of the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buffalo Sewer Authority (the "Authority") as of June 30, 2018 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position and results of operations of the various opinion units of the Authority in accordance with accounting principles generally accepted for governments in the United States of America ("U.S. GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we consider necessary for the purpose of appropriately informing ourselves as of September 26, 2018.

#### Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 5, 2018, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
- The financial statements referred to above have been fairly presented in accordance with GAAP and include all properly classified funds, required supplementary information, supplementary information and notes to the basic financial statements.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the fair presentation of the required supplementary information, including Management's Discussion and Analysis.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- There are no material uncorrected misstatements.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.



- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund transactions and balances have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

#### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The Authority has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which the Authority is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.



- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

#### **Supplementary Information in Relation to the Financial Statements as a Whole**

With respect to the supplementary information accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the supplementary information in accordance with U.S. GAAP.
- We believe the supplementary information, including its form and content, is fairly presented in accordance with the accounting principles generally accepted in the United States of America.
- The methods of measurement or presentation have not changed from those used in the prior period and the basis for our assumptions and interpretations underlying those measurements or presentations are reasonable and appropriate in the circumstances.
- We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing supplementary information and that indicates the auditor reported on such supplementary information.
- We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

## Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
- We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
- The methods of measurement or presentation have not changed from those used in the prior period and the basis for our assumptions and interpretations underlying those measurements or presentations are reasonable and appropriate in the circumstances.

## Single Audit

With respect to federal awards, we represent the following to you:

- We are responsible for understanding and complying with, and have complied with, the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), as applicable.
- We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
- We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
- The methods of measurement or presentation have not changed from those used in the prior period and the basis for our assumptions and interpretations, underlying those measurements or presentations, are reasonable and appropriate in the circumstances.
- We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
- We have identified and disclosed all of our programs and related activities subject to the Uniform Guidance compliance audit.
- We have notified you if we have elected to delay implementation the procurement sections (317 to 326) of the Uniform Guidance as allowed for two fiscal years after the effective date of the Uniform Guidance. We understand that sections 317 to 326 are allowed to be delayed until fiscal years beginning on or after December 26, 2017 (if electing to delay).
- When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.



- We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
- We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program; and we have complied with these direct and material compliance requirements.
- We have provided to you our interpretations of any compliance requirements that have varying interpretations.
- We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on our federal programs. Also, no changes have been made in the internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
- We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
- We have received no requests from a federal agency to audit one or more specific programs as a major program.
- We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the Uniform Guidance.
- We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.



- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Uniform Guidance, as applicable.
- We have charged costs to federal awards in accordance with the provisions of the Uniform Guidance.
- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- The reporting package does not contain personally identifiable information.
- We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by the Uniform Guidance, and we are responsible for preparing and implementing a corrective action plan for any audit finding.
- We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes and an acknowledgment of the auditor's role in the preparation of this information.
- We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
- We have a reconciliation of the Schedule of Expenditures of Federal Awards to the basic financial statements.



## Other Specific Representations

- The Authority is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in account balances.
- We have received and approve the various adjusting journal entries that were proposed by you for recording our books and recorded and reflected in the financial statements. We have posted these adjusting journal entries to our records. The proposed adjusting journal entries are described in Exhibit I.
- We agree with the work of specialists in evaluating the workers' compensation, other post-employment benefits obligation, and net pension liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialists in respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters have had an impact on the independence or objectivity of the specialists. We believe that the actuarial assumptions and methods used to measure workers' compensation, other postemployment benefits and the net pension liability obligations and costs are appropriate in the circumstances.
- We have no intention of terminating our pension plan, or taking any other action that could result in an effective termination or reportable event for the plan. We are not aware of any occurrences that could result in the termination of our pension plan to which we contribute. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- We do not plan to make frequent amendments to our pension or other post-employment benefit plans.
- The Authority has had a committee analyze, justify and provide recommendations relating to all sole source and professional services contracts to the Board for approval.
- Management has reviewed the complete listing of sole source contractors and verified that the contractors contained within the listing meet the criteria as a sole source provider as outlined in General Municipal Law.
- The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Authority currently reports all of its risk management activities in its General Fund. The Authority assumes the liability for most risk including, but not limited to, workers' compensation and general liability. The Authority maintains insurance for claims in excess of \$250,000. Management estimates the liability for these claims and judgments to be \$1,683,693 of which \$84,185 is estimated to be payable within one year. This estimate is based on a June 30, 2018 actuarial valuation.

- On March 18, 2014, the Authority's Long Term Control Plan to reduce the amount of sewage and storm-water run-off that flow from the City's combined sewer system was approved by the U.S. Environmental Protection Agency and the New York State Department of Environmental Conservation. The Authority has committed to investing \$380 million on these projects over 20 years. The Authority plans to fund these projects with committed fund balance and long-term financing, and therefore, will record a liability when such financing is obtained.
- Management has committed \$5,000,000 of fund balance for loss contingencies.
- The Authority has determined that fund balance committed for capital projects within the General Fund and General Projects Fund of \$16,025,685 and \$29,694,631, respectively, is composed primarily of designated cash and should be classified as such. Additionally, based on its current five-year capital plan, the Authority anticipates future capital appropriations to approximate \$297 million.
- The Authority considers encumbrances to be significant for amounts that are encumbered in excess of \$400,000.
- The Authority has determined that the ending balance in construction in progress represents ongoing capital projects that have not yet been completed, and as such do not represent depreciable assets.
- In addition to audit services, Drescher & Malecki LLP has assisted the Authority in compiling the Authority's financial statements for the year ended June 30, 2018. In conjunction with the compilation of the financial statements the Authority has performed the following functions:
  - Made all management decisions and performed all management functions.
  - Designated Ronald Brown, Executive Secretary, whom we believe has suitable skill, knowledge and/or experience who has overseen this service.
  - Evaluated the adequacy of the services performed.
  - Evaluated and accepted responsibility for the results of the services performed.
  - Established and maintained internal controls, including monitoring ongoing activities.
- Authority management understands that Drescher & Malecki LLP has not performed any management functions or made management decisions on behalf of the Authority. Any nonattest services were performed in accordance with applicable professional standards issued by the American Institute of Certified Public Accountants.

  
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 Oluwale A. McFoy, P.E., General Manager

  
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 Ronald Brown, Executive Secretary

**Buffalo Sewer Authority**  
**Proposed Adjusting Journal Entries**  
**For the Year Ended June 30, 2018**

**Exhibit I**

Account	Description	Debit	Credit
<b>Proposed adjusting Journal Entries JE # 1</b>			
To eliminate transfers within the general fund.			
100.1900096.399991	TRANSFERS FROM NET REVENUE	\$ 20,404,074	
700.7300000.399990	L & C TRANSFERS	12,000	
830.8300000.399100	TRANSFERS FROM OPERATING	19,220,357	
100.800108.489830	TRANSFERS TO NET REVENUE		\$ 19,220,357
100.880108.489113	TRF TO LIABILITY & CASUALTY		12,000
830.8300000.489100	TRANSFERS TO OPERATING		20,404,074
<b>Total</b>		<u>39,636,431</u>	<u>39,636,431</u>
<b>Proposed adjusting Journal Entries JE # 2</b>			
Reporting purposes only: to reverse prior year entry recorded incorrectly.			
100-253-000	0100 FUND BALANCE UNRES (SYS)	9,718	
100.1900090.399120	ASSESS SEWER RENT CITY PRIOR		9,718
<b>Total</b>		<u>9,718</u>	<u>9,718</u>
<b>Proposed adjusting Journal Entries JE # 3</b>			
To record an encumbrance not included in the year end close out.			
200-297-000	0200 APPROP FUND BALANCE (SYS)	564,149	
200-244-000	0200 FND BAL RES FR ENC (SYS)		564,149
<b>Total</b>		<u>564,149</u>	<u>564,149</u>
<b>Proposed adjusting Journal Entries JE # 4</b>			
To reverse prior year entry and add record payables in current year.			
100.200106.432004	PLAN ENGINEERING AND TECH	5,599	
100-244-000	0100 FND BAL RES FR ENC (SYS)	26,539	
100-202-000	0100 ACCOUNTS PAYABLE		5,599
100-202-000	0100 ACCOUNTS PAYABLE		26,539
<b>Total</b>		<u>32,138</u>	<u>32,138</u>
<b>Proposed adjusting Journal Entries JE # 5</b>			
To account for an additional board approved capital project amendment.			
100.800108.489112	TRF TO CONSTRUCTION FUND	1,139,668	
200-130-550	0200 DUE FROM OPERATING FUND	1,139,668	
100-208-520	0100 DUE TO CONSTRUCTION FUND		1,139,668
200.200000.399990	CONST TRANSFERS		1,139,668
<b>Total</b>		<u>2,279,336</u>	<u>2,279,336</u>



**Proposed adjusting Journal Entries JE # 6**

To reclass grant money received as federal aid.

200.200000.399010	REV - FEDERAL GRANTS	265,565	
200.200000.399020	REV - STATE GRANTS		265,565
<b>Total</b>		<u>265,565</u>	<u>265,565</u>

**Proposed adjusting Journal Entries JE # 7**

To adjust accounts payable at year end.

100.300103.441003	BLOW ELECTRIC LIGHT & POWER	190,299	
200.200391.490740	PLNT ELEC RECONSTRUCTION	68,359	
100-202-000	0100 ACCOUNTS PAYABLE		190,299
200-202-000	0200 ACCOUNTS PAYABLE		68,359
<b>Total</b>		<u>\$ 258,658</u>	<u>\$ 258,658</u>