

April 23, 2018

CONFIDENTIAL

The Board of Directors
Niagara Falls Water Board

Dear Board Members:

We have completed our audit of the financial statements of the Niagara Falls Water Board (the Board) for the year ended December 31, 2017. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities which a test examination may not disclose.

This report is intended solely for the information and use of the Board of Directors, management and others within the Board.

We now present for your consideration our comments and recommendations based upon observations made during our audit.

Previous Recommendations

We reviewed the disposition of recommendations included in our letter dated July 24, 2017. The following is a summary of the action taken by the Board with regard to our recommendations.

Monthly Financial Close - Internal financial reports were not prepared for the Board on a monthly basis. Significant adjustments were made at year-end by management that were not reflected in internally prepared financial reports throughout the year. In order for management to make appropriate financial decisions, we recommended that accurate internal financial reports be prepared on a timely basis subsequent to month end. Additionally, these procedures would highlight cash flow and other operational problems. Management will continue to develop these procedures.

Plant Fund General Ledger - The Board does not maintain adequate accounting records for the plant fund. No general ledger or supporting cash receipts or cash disbursement journals were maintained. In order to properly account for transactions and prepare accurate financial statements, we recommended that the Board maintain a general ledger and cash receipts and cash disbursement journals for the plant fund similar to how the other funds are maintained. Management will continue to develop these procedures.

Accounts Receivable - During the course of the 2016 audit, we noted several accounts receivable which were more than one year old. Although an adequate allowance for uncollectible accounts has been recorded, we recommended that management review the receivable balances for reasonableness of collection. After making a final attempt at collection of these balances, any accounts which are over one year old should be written off against the allowance.

In our review of accounts receivable balances it was noted that management performed this analysis. Necessary balances were written off as collection was very unlikely.

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We take this opportunity to thank the staff of the Niagara Falls Water Board for the courtesy and cooperation extended to us during the audit. If you have any questions regarding the foregoing comments or wish any assistance in their implementation, please contact us at your convenience.

Very truly yours,

EFPR GROUP, CPAs, PLLC

A handwritten signature in black ink, appearing to read 'D. Zimmerman', with a long horizontal flourish extending to the right.

Douglas E. Zimmerman, CPA
Partner
Chief Operating Officer