

August 12, 2012

To the Host Community Standing Committee
Sanborn, New York

MANAGEMENT LETTER

In planning and performing our audit of the financial statements of the Host Community Standing Committee (HCSC) for the period April 1, 2008 to June 30, 2011 on which we have issued our report dated August 12, 2012 we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the HCSC's internal control. Such consideration would not necessarily disclose all matters in the HCSC's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We found the project files generally to be in good order with improvement as to documentation once the formal SCP was adopted in May 2008. We did note the following matters related to the HCSC's internal control and certain other accounting, administrative, and operating matters we feel could be improved and strengthened.

1) STANDING COMMITTEE PROTOCOL (SCP)

Presently, the SCP requires a program and financial audit of the HCSC every three years. For the period April 1, 2008 to June 30, 2011 both an audit and Agreed Upon Procedures engagements were requested and performed. Given the size of the HCSC and the fact that its operation is not complex as to the volume of and nature of the financial transactions there is duplicate work performed.

We suggest that the protocols be amended to require annual Agreed Upon Procedures and financial information as presented in our Agreed Upon Procedures report dated August 8, 2012 for the period April 1, 2008 to June 30, 2011. The Agreed Upon Procedures performed and related financial information presented covers all transactions of the HCSC and provide required financial information.

Additionally, the annual procedures would include a review of documentation as to expenditures incurred by the member entity for three programs funded by HCSC for the year either chosen by HCSC and/or the auditor. This project review would involve obtaining copies of invoices etc. from the member entity's project file and provide the HCSC and New York Power Authority a level of comfort that the funds are being expended by the member entity for the appropriate project use.

2) FUND TRANSFERS

When member entities withdraw funds from their HCSC bank account to their own municipal bank account for approved projects we suggest that the HCSC obtain a copy of the entities bank statement showing the deposit to the appropriate bank account of the member entity and maintain it in the project file. (See attachment 1)

3) ANNUAL REPORT TO NYPA

The annual report to NYPA requires a balance sheet of the HCSC. For the year 2009, one was included but for 2010 and 2011 copy of bank statements was included in lieu of balance sheet. Annual reports should include a balance sheet of bank accounts similar to attachment 2 or the Protocols be changed to state inclusion of bank statements satisfies filing

The nature of this letter is to suggest and recommend improvements and we have already discussed these comments and suggestions with appropriate staff members.

We thank the staff of the HCSC for their cooperation during our audit and appreciate the opportunity to be of service. This report is intended solely for the information and use of the HCSC and is not intended to be and should not be used by anyone other than these specified parties.

Brown + Company, LLP



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MUNIRATE MONEY MARKET
Statement of Account
Account Numb

Open - February 6, 2009
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LEWISTON PORTER CENTRAL SCHOOL
CAPITAL PROJECT ACCOUNT
4061 CREEK RD
YOUNGSTOWN NY 14174-9609

Questions?
Call 800-975-4722 or write:
HSBC
P.O. Box 9
Buffalo, New York 14240



SUMMARY OF ACTIVITY FOR THE PERIOD ENDING 02/06/09

DATE OF LAST STATEMENT WAS NONE

THERE WERE WITHDRAWALS AND SUBTRACTIONS .00
THERE WERE DEPOSITS AND OTHER ADDITIONS 420,000.00
INTEREST POSTED THIS PERIOD 89.18
YOUR BALANCE ON 02/06/09 420,089.18

INTEREST PAID THIS YEAR 89.18

TRANSACTION DETAIL

DATE POSTED	DESCRIPTION OF TRANSACTIONS	WITHDRAWALS AND OTHER SUBTRACTIONS	DEPOSITS AND OTHER ADDITIONS	BALANCE
01/09/09	HOST CSC CAPITAL PROJECT		420,000.00	420,000.00
02/06/09	INTEREST PAID FROM 01/08/09 THROUGH 02/08/09 INCLUSIVE AVERAGE DAILY AVAILABLE BALANCE \$406,875.00		89.18	
02/06/09	\$89.18 INTEREST EARNED FROM 01/08/09 THROUGH 02/08/09 INCLUSIVE INTEREST IS NOT AVAILABLE UNTIL CREDITED TO ACCOUNT AVERAGE DAILY AVAILABLE BALANCE \$406,875.00 ANNUAL PERCENTAGE YIELD EARNED 00.25 %			420,089.18

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ATTACHMENT 1

Please examine your statement at once. For your convenience, instructions for balancing your account are included.

If you change your address, please notify your branch office of your new address. All deposited items are credited subject to final payment.

0022808

HOST COMMUNITY STANDING COMMITTEE (HCSC)
 Bank Activity Summary and Balances
 April 1, 2008 - June 30, 2011

	Deposits	Interest	Withdrawal	Total
HCSC Clearing account 822-82617-8	\$ 12,000,000	\$ 44,776	\$ (12,000,000)	\$ 44,776
Member Accounts				
Town of Lewiston	2,040,000	17,266	(1,705,524)	351,742
Niagara Falls School	1,680,000	21,115	-	1,701,115
Lewiston-Porter School	1,680,000	10,076	(840,000)	850,076
Niagara-Wheatfield	1,440,000	18,068	-	1,458,068
Town of Niagara	1,560,000	10,427	(1,178,500)	391,927
City of Niagara Falls	2,040,000	13,752	(1,782,577)	271,175
Niagara County	1,560,000	17,957	(1,212,362)	365,595
Member accounts total April 1, 2008-June 30, 2011	12,000,000	108,661	(6,718,963)	5,389,698
Total bank account balances all accounts	12,000,000	153,437	(6,718,963)	5,434,474

ATTACHMENT 2