

AUDIT COMMITTEE FOR ERIE COUNTY

ANNUAL REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2014

AUDIT COMMITTEE FOR ERIE COUNTY

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AUDIT COMMITTEE FOR ERIE COUNTY

Daniel Tirone, CPA – Chairman
Joshua P. Heim, Vice – Chairman
Aaron Saykin, Esq.
Hon. John J. Mills
Hon. Betty Jean Grant
Scott Kroll, Secretary

December 29, 2015

Honorable Members of the County
Legislature and the County Executive
County of Erie, New York

Ladies and Gentlemen:

The Audit Committee for Erie County (Committee) is pleased to present its annual report for Erie County's (County) fiscal year ended December 31, 2014.

The Committee was established in 1985 pursuant to Section 2517 of the Erie County Charter (Charter). The establishment of this committee was approved by the citizen's of the County in the November 1984 general election. The major functions of the Committee are described in the Charter as follows:

- Prepare Requests for Proposals for audits of the County and Erie Community College (ECC). Evaluate responses and make a recommendation to the Erie County Legislature (Legislature) for the selection of an accounting firm for the County's independent annual audit.
- Review the annual audits with the independent accountants.
- Prepare and submit an annual report to the County Executive and the Legislature. The annual report is to contain findings, comments, and recommendations with respect to each audit of financial statements.
- Monitor implementation of the recommendations contained in the Management Letter.

County management is responsible for the financial reporting process; the preparation of basic financial statements in accordance with accounting principles generally accepted in the United States of America; the system of internal controls, including the internal controls over financial reporting; and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. Our Committee has oversight responsibilities only and our role is not meant to be as experts in accounting and auditing. We rely without independent verification on the information provided to us and on the representations made by management regarding the effectiveness of internal control over financial reporting, that the financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Committee also relies on the opinions of the independent auditors on the basic financial statements and the effectiveness of internal controls over financial reporting.

AUDIT COMMITTEE FOR ERIE COUNTY

Concerns of the Committee

1. **Level of Fund Balance Policy**

The County's Charter provides that the General Fund unrestricted unassigned fund balance be equal to or greater than five percent of the appropriations amount contained in the adopted budget of the General Fund of the County's last audited financial statements. The GFOA states that the adequacy of unrestricted unassigned fund balance in the General Fund should be assessed upon the County's own specific circumstances. Although generally recommending a higher fund balance than five percent, circumstances may possibly allow for a lower number as well. Drescher & Malecki (D & M), the independent auditors, recommended that the County review the specified criteria for fund balance and adjust the Charter accordingly.

The County is in the process of empanelling a Charter Revision Commission. As part of their review, the Comptroller's Office will ask the Charter Revision Commission to revisit fund balance policies and provide support for whatever level is deemed appropriate.

2. **Planning for Infrastructure Costs**

The County has recorded \$1.7 billion of capital assets, based upon the original cost or estimated cost at acquisition. The replacement value of these assets, which include roads, bridges, sewage systems, etc., is significantly higher than the original cost. As assets age, their condition deteriorates and requires maintenance or replacement. Based on a twenty year average asset lifespan, the County should be reinvesting \$87 million per year into its infrastructure. Over the past five years, the amount invested averages nearly \$70 million per year. The auditor's recommended that the County identify funding sources to dedicate to future infrastructure repair and replacement.

The Comptroller's office is aware the infrastructure needs of the County. The identification of funding sources is somewhat limited by the State's tax cap. Dedicating funding through the Charter revision process remains an option. In addition to identifying funding sources, the County may also consider the necessity of maintaining certain assets at the County level. Opportunities may be sought to transfer assets to other entities.

3. **Shared Services**

As part of the State program offering incentives for communities employing shared services, the County led an effort to identify shared services between the County and other local municipalities. This effort allowed communities members to qualify for rebates for portions of property taxes paid. D & M recommended expanding shared services. These recommendations included studying whether the consolidation of assessment services would be appropriate,

AUDIT COMMITTEE FOR ERIE COUNTY

whether offering accounting services to municipalities would be appropriate, countywide dispatching services, human resources administration and information technology support.

As stated above in concern number 2, financing infrastructure improvements is a concern. Identifying shared services could provide certain relief to be able to better fund infrastructure improvements. Examining shared services is warranted toward this end.

4. **Capital Asset Policy**

While there are established policies and procedures in place to track and document departmental inventory, D & M noted that the County's financial reporting software, SAP, was not depreciating certain assets in accordance with the adopted policy.

The County will evaluate the most appropriate method for depreciating each asset category, and update the policy and SAP to avoid any discrepancies.

Committee Responsibilities

The Committee did not act or perform the functions of the type of an Audit Committee required under the Sarbanes Oxley Act of 2002, the rules and the regulations of the Securities and Exchange Commission, or any similar laws, rules, or regulations. The Committee performed only those limited functions as are described in this report.

The Committee reviewed and discussed with management limited aspects of year-end results contained in the financial statements and reports.

As stated on page 2 of this report, the Committee has limited responsibilities and relies on the representations of management and the independent auditors. Accordingly, the Committee does not provide an independent basis to determine that the County's financial statements have been prepared with accounting principles generally accepted in the United States of America or that the audit of the County's financial statements by the independent auditors has been carried out in accordance with auditing standards generally accepted in the United States of America.

Management has represented that the County's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The Committee is in accordance with the requirements established by the Statement on Auditing Standards No. 114, *The Auditor's Communication With Those Charged With Governance*.

Although the Sarbanes Oxley Act applies primarily to publicly traded companies, and not to government entities, we have recommended and continue to recommend that all component units of County government review the provisions of this and similar laws, rules, and procedures regulating governance

AUDIT COMMITTEE FOR ERIE COUNTY

matters generally, and take action to implement any appropriate provisions of such governance laws, rules, and/or procedures. As a minimum, both the CEO and CFO of each government unit involved with the preparation of the financial statements should certify the accuracy, correctness, and completeness of the financial statements relating to his/her respective units.

The Committee selects the County's external auditors per Section 2517 of the Erie County Charter. The initial three year term for D & M expired December 31, 2013. The contract provides for the extension of the contract through the years 2014 and 2015. We recommend that the County extend the contract with Drescher & Malecki for the year ending December 31, 2015.

New Reporting Requirements

The County of Erie implemented the following GASB Statements for the year ended December 31, 2014. GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB Statement No. 67 is to improve financial reporting by state and local governmental pension plans. This Statement replaces GASB Statement No. 25 and Statement No. 50. The objective of GASB Statement No. 69 is to standardize accounting and financial reporting related to government combinations and disposals of government operations. The objective of GASB Statement No. 70 is to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. GASB Statement Nos. 67, 69, and 70 did not have a material impact on the County's financial position or results from operations.

Recent Accounting Pronouncements and Uniform Guidance

GASB has adopted several new pronouncements which may have a future impact upon the County. Effective for the year ending December 31, 2015, the County is required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The provisions of Statement No. 71 are to be applied simultaneously with the provisions of Statement No 68.

AUDIT COMMITTEE FOR ERIE COUNTY

Effective for the fiscal year ending December 31, 2016, the County is required to implement GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB 67 and 68*, GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* and GASB Statement No. 79 *Certain External Investment Pools and Pool Participants*.

Effective for the year ending December 31, 2017, the County is required to implement GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*.

Finally, effective for the year ending December 31, 2018, the County is required to implement GASB Statement No 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*.

Internal Control

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. As part of their audit D & M considered the internal control of the County solely for the purpose of determining their audit procedures and not to provide any assurance concerning such internal control. Accordingly, D & M did not express an opinion on the effectiveness of the County's internal control over financial reporting.

Auditor's Opinion

Drescher & Malecki have rendered an opinion that the financial statements of the County of Erie for the year ended December 31, 2014 present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County.

AUDIT COMMITTEE FOR ERIE COUNTY

The Audit Committee for Erie County is not responsible for any matters relating to the budget preparation and approval. Accordingly, we make no comment regarding the budget.

Should you have any questions regarding the contents of this report, please contact me at 674-2665 Ext. 101 or Scott Kroll at 858-8843.

Respectfully submitted,

AUDIT COMMITTEE FOR ERIE COUNTY

Daniel Tirone, CPA
Chairman

AUDIT COMMITTEE FOR ERIE COUNTY

Exhibit One – Representation Letter

Exhibit One - Representation Letter



COUNTY OF ERIE STEFAN I. MYCHAJLIW COMPTROLLER

June 19, 2015
Drescher & Malecki LLP
3083 William Street, Suite 5
Cheektowaga, New York 14227

Dear Thomas P. Malecki:

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Erie, New York (the "County"), as of and for the year ended December 31, 2014, 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, results of operations, and cash flows, where applicable, of the various opinion units of the County in conformity 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 considered necessary for the purpose of appropriately informing ourselves as of June 19, 2015:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated November 26, 2014, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- 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.

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ERIE COUNTY OFFICE BUILDING • 95 FRANKLIN STREET • ROOM 1100 • BUFFALO, NEW YORK • 14202-3972
TELEPHONE: (716) 858-8400 • FAX: (716) 858-6195 • INTERNET: www.erie.gov

AUDIT COMMITTEE FOR ERIE COUNTY

- 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 identified 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.

AUDIT COMMITTEE FOR ERIE COUNTY

- 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 and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items 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.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regards 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

AUDIT COMMITTEE FOR ERIE COUNTY

- 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 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 County 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 County is contingently liable.
- 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.

AUDIT COMMITTEE FOR ERIE COUNTY

- 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 lawyers have 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.
- We have complied with the applicable Securities and Exchange Commission filings and updates.
- The County 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.
- We agree with the findings of specialists in evaluating the liabilities for workers' compensation insurance liability, judgments and claims liability, and other post-employment benefits, 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 specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Compliance with OMB Circular A-133 and Draft Part 43 of NYCRR

With respect to federal and state awards:

- We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
- We acknowledge our responsibility for presenting the schedule of expenditures of federal awards ("SEFA") in accordance with the requirements of OMB Circular A-133 Section 310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 Section 310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

AUDIT COMMITTEE FOR ERIE COUNTY

- If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and included in the SEFA 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, insurance, food commodities, direct appropriations, and other direct assistance.
- We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- We have received no requests from a federal agency to audit one or more specific programs as a major program.
- We have complied with the direct and material compliance requirements, including when applicable, those set forth in the OMB Circular A-133 Compliance Supplement, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
- We have disclosed any communications from grantors 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 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.

AUDIT COMMITTEE FOR ERIE COUNTY

- Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), subsequent to the date as of which compliance was audited.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.
- We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipient's auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
- We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- We have charged costs to federal awards in accordance with applicable cost principles.

AUDIT COMMITTEE FOR ERIE COUNTY

- We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 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 are responsible for, and have accurately prepared, the auditee section of the Data Collection Form as required by OMB Circular A-133.
- We are responsible for preparing and implementing a corrective action plan for each audit finding.
- The Schedule of Expenditures of New York Department of Transportation Assistance was prepared in accordance with the requirements of Draft Part 43 of the "New York State Codification of Rules and Regulations."

Other Specific Representations

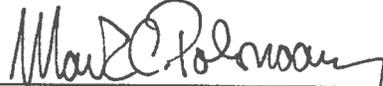
- The County is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables, and accounts receivables, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
- No department or agency of the County has reported a material instance of noncompliance to us.
- The County's labor agreements provide for sick leave, vacations, and miscellaneous other paid absences. The County's policy is to pay employees for unused vacation, compensatory time, and sick time based on the union agreements when there is separation from service. For governmental activities, the amount is accrued in the government-wide statement of net position as long-term liabilities. For business-type activities, the full liability is recognized in both the governmental-wide statement of net position and the proprietary fund financial statements. Estimated sick leave and compensatory time accumulated by governmental fund type employees has been recorded. Payment of sick leave and compensatory time is dependent upon many factors; therefore, timing of future payments is not readily determinable. The value recorded in the government-wide financial statements at December 31, 2014 for primary government is \$26,734,386 of which \$22,562,645 has been recorded within governmental activities as a non-current liability, and \$4,171,741 for business-type activities. Management believes that sufficient resources will be made available for the payments of sick leave and compensatory time when such payments become due.
- The governmental activities reported a total net deficit of \$36,540,000 at December 31, 2014 resulting from ETASC's net deficit of \$284,648,094 that is caused by its recognition of bonds payable with no offsetting capital assets. This deficit is planned to be remedied through scheduled payments on the outstanding debt. Tobacco settlement bonds are payable only from the assets of ETASC and are not legal obligations of the County.

AUDIT COMMITTEE FOR ERIE COUNTY

- Management has evaluated subsequent events through June 19, 2015, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events, other than noted below, that require disclosure under generally accepted accounting principles.

On April 30, 2015 the County entered into a project financing and loan agreement with, and issued a related note to, the New York State Environmental Facilities Corporation (EFC). Under the terms of the agreement, the County can obtain short-term loans to pay for various sewer project costs that will be incurred prior to the date that long-term financing is completed through EFC. The maximum principal sum that can be borrowed under the note is \$7,667,390. No interest is due on the first \$3,833,695, which is advanced. Interest at 0.39% will accrue on all other advances. Final repayment is due April 30, 2018 for any and all amounts borrowed and still outstanding.

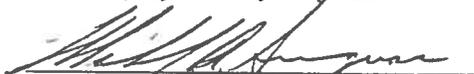
- In addition to the audit services, Drescher & Malecki LLP has assisted the County in compiling the federal financial assistance schedules for the year ended December 31, 2014. In conjunction with the compilation of the financial statements the County has performed the following functions:
 - Made all management decisions and perform all management functions.
 - Designated James Dziekan, Director of Accounting Services, whom we believe has suitable skill, knowledge and/or experience who has overseen this service.
 - Evaluated the adequacy and results of the services performed.
 - Accepted responsibility for the results of the services.
- County management understands that Drescher & Malecki LLP has not performed any management functions or made management decisions on behalf of the County. Any nonattest services were performed in accordance with applicable professional standards issued by the American Institute of Certified Public Accountants.



Mark C. Poloncarz, Esq., County Executive



Stefan I. Mychajliw, County Comptroller



Michael A. Siragusa, Esq., County Attorney

AUDIT COMMITTEE FOR ERIE COUNTY

Exhibit Two - Management Letter

Drescher & Malecki LLP
3083 William Street, Suite 5
Cheektowaga, New York 14227
Telephone: 716.565.2299
Fax: 716.565.2201



Certified Public Accountants

June 19, 2015

Honorable County Legislature,
County Executive and County Comptroller
County of Erie, New York:

In planning and performing our audit of the basic financial statements of the County of Erie, New York (the "County") as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the County's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated June 19, 2015 on the financial statements of the County. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized in Exhibit I.

We also summarized new reporting requirements in Appendix A. These should be evaluated to determine the extent the County will be impacted in the future years.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Drescher & Malecki LLP

June 19, 2015

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AUDIT COMMITTEE FOR ERIE COUNTY

EXHIBIT I

Level of Fund Balance Policy

Fund balance, also referred to as reserves, provides the County with the ability to respond to unexpected issues and to ensure stable tax rates. Fund balance provides the necessary resources to respond to unexpected issues – weather related disasters, infrastructure breakdowns, other emergency expenditures, revenue shortfalls, etc. It also provides for cash flow needs until major revenues are received. Real property taxes are not due until forty-five days after year end and the receipt of other revenues such as state aid and sales tax have substantial lag factors. Possessing adequate cash reserves reduces or eliminates the need for cash flow borrowing.

Reserves are usually viewed favorably by investors, rating agencies, and local banks with which the County does business. However, opposing pressures often come from unions, elected officials and taxpayer groups. The level of fund balance is and will continue to be a critical component of the County's future.

As a means to keep municipalities more focused on providing structural balance in their operations, with less dependence on one-time reserves, and to minimize political considerations of adequate reserve levels, many, including the Government Finance Officers Association (the "GFOA") recommend that governments establish a formal policy on the level of unrestricted unassigned fund balance that should be maintained in the General Fund.

We commend the County for having a policy in place. The County's Charter provides that General Fund unrestricted unassigned fund balance be equal to or greater than five percent of the appropriations amount contained in the adopted budget of the General Fund of the County's last audited financial statements. Further, it should be noted that the General Fund unrestricted unassigned fund balance has consistently increased over the last five years, from \$74 million at December 31, 2009 to \$92 million at December 31, 2014. However, the County's policy does not cite the rationale for the five percent threshold.

The GFOA states that the adequacy of unrestricted unassigned fund balance in the General Fund should be assessed based upon the County's own specific circumstances. Risk factors such as the predictability of future revenues, the volatility of expenditures, exposure to significant one-time outlays (disasters, immediate capital needs, and state budget cuts), legal claims and liquidity concerns need to be considered when developing such a policy.

As noted above, calculating a reserve requires estimating highly uncertain events like natural disasters and economic downturns. To develop an adequate response the GFOA incorporates the "Triple A" ⁽¹⁾ approach. That approach utilizes the following guidance:

- **Accept.** First, the County must accept that they are subject to uncertainty, including events that they haven't even imagined.
- **Assess.** Next, the County must assess the potential impact of uncertainty. Historical reference cases are a useful baseline.
- **Augment.** The range of uncertainty the County really faces will almost always be greater than they assess it to be, so they should augment that range. Historical reference cases provide a baseline, but that baseline may not be adequate to account for all future possibilities.

We recommend that the County revisit its fund balance policies to provide support for the current five percent threshold or suggest an updated level. The County should act on the GFOA's recommendation to formally assess its financial risks and cash flow needs, analyze and quantify those risks and needs, and incorporate its findings into the formal policy outlining the level of unrestricted unassigned fund balance in the County's General Fund.

AUDIT COMMITTEE FOR ERIE COUNTY

EXHIBIT I

Planning for Infrastructure Costs

The County has recorded capital assets at their original cost or estimated cost at acquisition. It has \$1.7 billion of capital assets recorded, of which, a large majority of this investment represents infrastructure type assets such as roads, bridges, and sewer and water systems. It is also important to note that the replacement value of these assets is significantly higher than the \$1.7 billion original cost.

The GFOA acknowledges that:

“... budgetary pressures often impede capital program expenditures or investments for maintenance and replacement, making it increasingly difficult to sustain the asset in a condition necessary to provide expected service levels. Ultimately, deferring essential maintenance or asset replacement could reduce the organizations ability to provide services and could threaten public health, safety and overall quality of life. In addition, as the physical condition of the asset declines, deferring maintenance and or replacement could increase long-term costs and liabilities.”

As noted in a recent Office of the New York State Comptroller report, New York State municipalities are spending less than a third of what is necessary to keep up with deteriorating assets. The report refers to a recent study that cites 48% of local roads were estimated to be in poor to fair condition and that more than one-third of local bridges were rated as deficient.

Competing needs for operations and infrastructure continue to represent significant challenges. The Comptroller's report cites that certain municipalities point to their desire to comply with the tax cap as preventing them from adequately investing into their infrastructure as the revenue needed to fund the projects cannot be raised while complying with the tax cap.

Based on the County's current inventory of capital assets, without regard to the increased cost of replacement and, assuming a 20 year average asset life, the County should be reinvesting nearly \$87 million per year into its infrastructure.

We note the County has been committed to reinvesting into its capital assets. In fact, over the last five years the capital budgets have averaged nearly \$70 million. However, based on the financial significance of future capital asset reinvestment coupled with the political pressure of the State's tax cap, we recommend that the County identify funding sources such as real property taxes or new fees that would be dedicated for future infrastructure repair and replacement. While the tax cap is certainly a consideration in budgeting for capital and replacement needs, it should not be a deterrent.

Shared Services

Over the past year the County took the lead in identifying shared services between the County and other local municipalities. We commend the County as well as all of our local governments for their efforts in this area. While the sharing of services is not a new concept, we believe it warrants continued attention. Certain services performed by local governments and financed by those communities' annual budget may be more effectively and efficiently performed by a countywide structure where the local governments are charged a fee for such services.

Areas that could be further evaluated include countywide assessing services and the County providing financial systems for accounting/bookkeeping.

Towns in Erie County are currently responsible for assessing their properties. Over the past several years many have begun sharing assessors with other communities because of cost constraints and the general supply of qualified assessors. The County should consider conducting a study to evaluate whether further consolidation, a countywide assessment function, is more effective and cost efficient.

AUDIT COMMITTEE FOR ERIE COUNTY

EXHIBIT I

Whereby assessors would be employees of the County and the County could chargeback the service to the Towns. It may result in a reduced workforce, reduced costs and more consistent assessed values equalization rates throughout the County.

All municipalities are required to account for their respective financial transactions. There are numerous accounting software packages utilized by Erie County municipalities usually determined by the size and complexity of the entity. Additionally, the level of sophistication in accounting personnel varies between municipalities. Based on these two factors the recording of similar transactions often varies between municipalities. The County should consider studying what accounting alternatives it could provide local communities.

Further areas to study include countywide dispatching services, human resources (H R) administration and information technology support as well as any area that could result in a more consistent service delivery throughout the County at a more favorable overall cost to the taxpayer.

Capital Asset Policy

The County should periodically review its capital asset policies and evaluate whether procedures being performed are in compliance with those established within the adopted policies. During our audit, we noted the County's financial reporting software, SAP, was not depreciating certain assets in accordance with their adopted policy. Accordingly, the County is at risk of misstating particular assets due to the depreciation discrepancy between SAP and the adopted policy.

We recommend that the County evaluate the most appropriate method for depreciating each asset category, and update the policy and SAP to avoid any discrepancies.

Endnotes:

- (1) The Triple-A approach is adapted from: Spyros Makridakis, Robin Hogarth, and Anil Gaba. Dance with Chance: Making Luck Work for You (Oneworld Publications: Oxford, England, 2009).

AUDIT COMMITTEE FOR ERIE COUNTY

APPENDIX A

NEW REPORTING REQUIREMENTS

The Governmental Accounting Standards Board ("GASB") has adopted several new pronouncements, which may have a future impact upon the County:

GASB Statement No. 68—The County is required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for the fiscal year ending December 31, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

GASB Statement No. 71—The County is required to implement GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

GASB Statement No. 72—The County is required to implement GASB Statement No. 72, *Fair Value Measurement and Application*, effective for the fiscal year ending December 31, 2016. The objective of this Statement is to provide guidance for determining the fair value measurement for financial reporting purposes and for disclosures related to all fair value measurements.

GASB Statement No. 73—The County is required to implement GASB Statement 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 No. 67 and 68*, effective for fiscal year ending December 31, 2016. The requirements of this Statement establish new reporting requirements for those pensions and pension plans that are not administered through a trust meeting the requirements of GASB Statements No. 67 and 68.

GASB Statement No. 74—The County is required to implement GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans*, effective for the fiscal year ending December 31, 2017. The requirements of this statement address the financial reports of defined benefit OPEB plans that are administered through trusts that meet certain criteria. This Statement replaces GASB Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans*.

GASB Statement No. 75—The County is required to implement GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the fiscal year ending December 31, 2018. This Statement replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, and will require more extensive note disclosures and required supplementary information about their OPEB liabilities.

AUDIT COMMITTEE FOR ERIE COUNTY

Exhibit Three – Audit Contract

Refer to pages 24 through 29

AUDIT COMMITTEE FOR ERIE COUNTY

THIS AMENDMENT, made this 30th day of NOVEMBER, 2014 by and between

THE COUNTY OF ERIE, a municipal corporation of the State of New York, having its offices and principal place of business at 95 Franklin Street, Buffalo, New York 14202

(hereinafter referred to as the "County",)

and

DRESCHER & MALECKI LLP, a New York limited liability partnership, having its offices and principal place of business at 3083 William Street, Suite 5, Cheektowaga, New York 14227.

(hereinafter referred to as the "Accountant")

WHEREAS, on or about November 10, 2011, the County entered into an agreement, on file with the County Law Department as Doc. No.11-890-Co, with the Accountant pursuant to which the Accountant perform independent audits of the County's Basic Financial Statements and related services (the "Agreement"); and

WHEREAS, the term of the Agreement was for a period of three (3) years, commencing with the fiscal years ending December 31, 2011, 2012 and 2013, with an option, upon mutual agreement, to extend the agreement for the fiscal years ending December 31, 2014 and 2015; and

WHEREAS, the parties would like to exercise the extension option for the fiscal years ending December 31, 2014 and 2015 on the same terms and conditions and at fees stated herein.

NOW, THEREFORE, in consideration of the promises and covenants herein, the parties agree as follows:

1. The Agreement between the County and Accountant is hereby extended for the fiscal years ending December 31, 2014 and 2015.

AUDIT COMMITTEE FOR ERIE COUNTY

2. In consideration for services rendered during the term of this Amendment, County shall pay the Accountant amounts not to exceed the fees hereinafter stated for services set forth in the Agreement as follows:

<u>Fiscal Year ending 12/31</u>	<u>Audit of Financial Statements</u>	<u>Single Audit</u>
2014	\$93,500	\$59,000
2015	\$95,000	\$59,500

Price of a "Due Diligence" letter will vary from \$5,000 to \$15,000.

The independent accountant will audit the state required reports of the Mental Health and Health Departments at a per-report cost as follows:

<u>Fiscal Year ending 12/31</u>	<u>Mental Health</u>	<u>Health Dept.</u>	<u>Other Depts.</u>
2014	\$4,050	\$4,050	\$4,050
2015	\$4,150	\$4,150	\$4,150,

3. Except as otherwise provided herein, all other terms and conditions of the Agreement shall remain in full force and effect.

AUDIT COMMITTEE FOR ERIE COUNTY

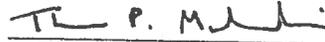
4. This Amendment shall not be enforceable until signed by all parties and approved by the Office of the County Attorney.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment.

THE COUNTY OF ERIE

DRESCHER & MALECKI LLP

By: 
Name: Mark C. Poloncarz/Richard Tobe
Title: County Executive/Deputy County Executive
Date: 11/30/14

By: 
Name: THOMAS P. MALECKI
Title: OFFICE MANAGING PARTNER
Date: 9/11/14

Approved as to content

Electronically Signed

By: _____
Name: Stefan I. Mychajliw
Title: Erie County Comptroller
Date: _____

Approved as to form

Electronically Signed

Assistant County Attorney
Doc. No. _____
Date _____

3 of 3

11-890-Co (Amend. 1)

AUDIT COMMITTEE FOR ERIE COUNTY



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

9/15/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Edmund D Stevens Inc 374 Delaware Avenue, Suite 308 Buffalo NY 14202-1683	CONTACT William Hobson NAME: PHONE (716) 856-3387 FAX (716) 856-5890 E-MAIL whobson@stevensagency.com ADDRESS:
INSURER(S) AFFORDING COVERAGE	
INSURER A General Casualty Co. of WI 24414	
INSURER B: INSURER C: INSURER D: INSURER E: INSURER F:	

COVERAGES CERTIFICATE NUMBER: CL1482101598 REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS

INSR LTR	TYPE OF INSURANCE	ADDITIONAL INSURER	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY					
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY		CCS0602866	9/1/2014	9/1/2015	EACH OCCURRENCE \$ 1,000,000
	<input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR					AD & MORTGAGE PROTECTION \$ 1,000,000
						MED EXP (Any one person) \$ 5,000
	GENL AGGREGATE LIMIT APPLIES PER					PERSONAL & ADV INJURY \$
	<input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO. <input type="checkbox"/> LOC					GENERAL AGGREGATE \$ 2,000,000
						PRODUCTS - COMP/PAGG \$
A	AUTOMOBILE LIABILITY					
	<input type="checkbox"/> ANY AUTO		CCS0602866	9/1/2014	9/1/2015	COMBINED SINGLE LIMIT (Ea. of items) \$
	<input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS					BODILY INJURY (Per person) \$
	<input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS					BODILY INJURY (Per accident) \$
						PROPERTY DAMAGE (Per accident) \$
A	<input checked="" type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR					EACH OCCURRENCE \$ 5,000,000
	<input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS MADE					AGGREGATE \$ 5,000,000
	DED <input checked="" type="checkbox"/> RETENTIONS 10,000		CCUC602866	9/1/2014	9/1/2015	\$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY					
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in PA)	Y/N	CWC602866	9/1/2014	9/1/2015	EL EACH ACCIDENT \$ 100,000
	IF YES, DESCRIBE UNDER DESCRIPTION OF OPERATIONS BELOW					EL DISEASE - EA EMPLOYEE \$ 100,000
						EL DISEASE - POLICY LIMIT \$ 500,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
 The general liability includes additional insureds if required by contract. The umbrella coverage is follow form over primary coverage.

CERTIFICATE HOLDER County of Erie 95 Franklin St Buffalo, NY 14202	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS AUTHORIZED REPRESENTATIVE Peter Stevens/BILL <i>Peter M. Stevens</i>
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AUDIT COMMITTEE FOR ERIE COUNTY

STATE OF NEW YORK

LEGISLATURE OF ERIE COUNTY
CLERK'S OFFICE

BUFFALO, N.Y., July 21, 2011

TO WHOM IT MAY CONCERN:

I HEREBY CERTIFY, That at the 16th Session of the Legislature of Erie County, held in the Legislative Chambers, in the City of Buffalo, on the Twenty-First day of July, 2011 A.D., a Resolution was adopted, of which the following is a true copy:

WHEREAS, the contract for the audit of Erie County expires with the completion of the audit for the fiscal year ended December 31, 2010; and

WHEREAS, the Audit Committee for Erie County prepared and forwarded requests for proposal (RFP) to national and regional certified public accounting firms requesting proposals for the audits of the County for fiscal years 2011 through 2013, with an option to continue in year 2014 and 2015; and

WHEREAS, the Audit Committee's RFP and evaluation of the responses was in full compliance with paragraph C. Section 1813 of the Erie County Charter; and

WHEREAS, the winning proposal is as follows:

For the Year Ended December 31	Audit of Financial Statements	Single Audit
2011	\$89,000	\$57,500
2012	\$90,500	\$58,000
2013	\$92,000	\$58,500

Prices of a "Due Diligence" letter will vary from \$5,000 through \$15,000; and

WHEREAS, that the independent accountant will audit the state required reports of the Mental Health and Health Departments at a per-report cost as follows:

For the Year Ended December 31	Mental Health	Health Department	Other Departments
2011	\$3,750	\$3,750	\$3,750
2012	\$3,850	\$3,850	\$3,850
2013	\$3,950	\$3,950	\$3,950

and

WHEREAS, the firm Drescher & Malecki LLP was the lowest responsible bidder; and

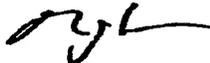
WHEREAS, the response from Drescher & Malecki LLP complied with all aspects of the Audit Committee's RFP.

NOW, THEREFORE, BE IT

RESOLVED, that the County Executive is authorized to enter into a contract for the audit of Erie County's financial statements, to include the Federal Single Audit for fiscal years 2011 through 2013; and be it further

RESOLVED, that the contract for the audit of Erie County's financial statements shall be paid from the Comptroller's dues and fees account and will be negotiated to selected the lowest possible cost for each audit each year; and be it further

ATTEST



ROBERT M. GRABER
Clerk of the Legislature of Erie County

AUDIT COMMITTEE FOR ERIE COUNTY

STATE OF NEW YORK

LEGISLATURE OF ERIE COUNTY
CLERK'S OFFICE

BUFFALO, N.Y., July 21, 2011

TO WHOM IT MAY CONCERN:

I HEREBY CERTIFY, That at the 16th Session of the Legislature of Erie County, held in the Legislative Chambers, in the City of Buffalo, on the Twenty-First day of July, 2011 A.D., a Resolution was adopted, of which the following is a true copy:

RESOLVED, and that such fees will also apply in the event that New York State assigns special reporting requirements to other County Departments; and be it further

RESOLVED, that should the County wish to extend the contract through the years 2014 and 2015, the fees agreed are as follows:

For the Year Ended December 31	Audit of Financial Statements	Single Audit
2014	\$93,500	\$59,000
2015	\$95,000	\$59,500

Prices of a "Due Diligence" letter will vary from \$5,000 through \$15,000; and be it further

RESOLVED, that the independent accountant will audit the state required reports of the Mental Health and Health Departments at a per-report cost as follows:

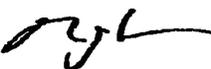
For the Year Ended December 31	Mental Health	Health Department	Other Departments
2014	\$4,050	\$4,050	\$4,050
2015	\$4,150	\$4,150	\$4,150

and be it further

RESOLVED that certified copies of this resolution be provided to the County Executive, Budget Director, Comptroller and County Attorney.

REFERENCE: COMM. 16E-15 (2011) AS AMENDED

ATTEST



ROBERT M. GRABER
Clerk of the Legislature of Erie County