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**ERIE COUNTY COMPTROLLER**  
**HON. STEFAN I. MYCHAJLIW**

July 08, 2021

Erie County Legislature  
92 Franklin Street, 4<sup>th</sup> Floor  
Buffalo, New York 14202

Honorable Mark C. Poloncarz, Esq.  
Erie County Executive  
95 Franklin Street, 16<sup>th</sup> Floor  
Buffalo, New York 14202

**Re: Erie County 2020 Comprehensive Annual Financial Report**

Dear Honorable Members and County Executive Poloncarz:

Enclosed for your review is Erie County's 2020 Comprehensive Annual Financial Report.

If you have any questions about the enclosed, please contact my Office at your earliest convenience.

Sincerely yours,

A handwritten signature in blue ink, reading "Stefan I. Mychajliw".

Stefan I. Mychajliw  
Erie County Comptroller

SIM/at  
Enclosures

c: Robert W. Keating, Director of Budget and Management  
Erie County Audit Committee Members  
Erie County Fiscal Stability Authority



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**Certified Public Accountants**

June 16, 2021

Honorable County Executive  
Honorable County Comptroller  
Honorable Members of the County Legislature and  
Audit Committee  
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, 2020, 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.

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 over financial reporting, 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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined below:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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.

During our audit we identified certain matters involving the internal control, other operational matters, and future reporting requirements that are presented for your consideration. This letter does not affect our report dated June 16, 2021 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.

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 16, 2021

### *Department Policies and Procedures*

Many governments face the challenge of ensuring continuity and consistency of critical functions due to employee turnover. In instances where several long-tenured government employees are eligible to retire, there is a concern that service delivery will be interrupted or errors will go undetected.

The County's Department of Real Property Tax Services (the "Department") does not have formal policies or procedures outlining critical job functions. We recommend the County develop these policies utilizing the Government Finance Officers Association's (the "GFOA") framework which encourages governments to address the following key issues and develop strategies concerning succession planning, including:

- **Develop written policies and procedures to facilitate knowledge transfer**—knowledge transfer is a critical component of succession management. There should be written procedures in place to formalize the knowledge transfer and meetings should be held with departing staff to document job responsibilities.
- **Provide a formal, written succession plan as a framework for succession initiatives**—without a formal plan, workforce/succession planning tends to take place in a haphazard fashion. A formal plan identifies risks and strategies, thereby providing a guiding framework for specific succession initiatives, including how employees are eligible to participate and what being part of the succession plan means. Plans that have been thoughtfully articulated and communicated to the organization are more likely to be successful. Additionally, having a formal plan indicates organization and leadership commitment to succession management, which is critical for success and for sustaining successful planning across political and leadership transitions.
- **Encourage personal professional development**—personal professional development benefits the organization over the long term by helping employees gain the skills they need to assume increased responsibilities.

The Department does not have a formalized set of procedures to reconcile the records of the New York State Assessment System, the Govern tax management system, and the SAP accounting software. The absence of such procedures heightens the risk that errors go undetected within the Department's reporting of tax bills, the NYS tax cap filing, payment in lieu of taxes receipts and other key functions of the Department.

The lack of formal policies and procedures increases the risk of financial statement misstatement, asset misappropriation and fraudulent financial reporting. We recommend that the Department develop formal policies and procedures that assess their processes relating to the reconciliation between software that is utilized within the Department, the tax cap calculation, payments in lieu of taxes reconciliation and other critical functions of the Department.

### ***Emergency Management***

In response to the New York State Chapter 168 Approval Memo 7, the County promptly established the Erie County Continuation of Operations Plan: Public Health Emergency Annex (the “Health Emergency Plan”), which includes detailed operations plan to ensure continuation of operations amidst a public health emergency. The County should consider supplementing the Health Emergency Plan with a general emergency response plan that outlines the steps necessary to assess the emergency and enable the County to act appropriately. This plan could identify the process to address the emergency based on the potential exposure and should consider items such as, but not limited to, emergency authority to certain branches of government and department heads to encourage consistency of services provided, appropriate communication of appropriations/budget transfers, and the length of the emergency actions, etc.

We recommend the County regularly review its Health Emergency Plan and consider developing a general emergency response plan that promotes transparency with regular communications and status reports between departments while maintaining a continuous level of service to tax payers in the event of an unexpected emergency.

### ***American Rescue Plan Act***

On March 11, 2021, the American Rescue Plan Act of 2021 (“ARPA”) was signed into law, of which approximately \$130 billion is allocated in relief funds to local governments, including Erie County to respond to the COVID-19 public health emergency, or its negative economic impacts.

Current guidelines indicate broad uses for ARPA funds. Eligible uses of these funds may include:

- Revenue replacement for the provisions of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, relative to revenues collected in the most recent fiscal year prior to the emergency;
- COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to small businesses, households, and hard-hit industries, and economic recovery;
- Premium pay for essential workers;
- Investments in water, sewer, and broadband infrastructure.

Restrictions on the uses of these funds include:

- Funds allocated cannot be used to directly or indirectly offset tax reductions or delay a tax or tax increase;
- Funds cannot be deposited into any pension fund.

The County’s ARPA estimated allocation totals \$178,000,000. We recommend that the County designate an individual or committee responsible to oversee this grant opportunity in an effort to maximize available funding. Responsibilities should also include collaboration between County Departments and the County Legislature, to not only maximize funding, but the execution and timing of whether funds should be recognized or deferred later into the period of availability. Finally, the County should closely follow and document their compliance with the terms of the ARPA and any additional Department of Treasury guidance published.

### ***Capital Asset Procedures***

The County's procedures regarding capital assets are consistent year-to-year; however, certain practices vary from the existing capital assets policy. For example, it is the County's practice to capitalize all land purchases regardless of the cost, while the capital asset policy outlines a minimum dollar threshold for capitalization of land purchases. In addition, the County Library routinely estimates annual shrinkage of 6.5 percent, which has not been quantified on an annual basis.

We recommend that the County review its capital asset policy to ensure it aligns with the current practices that are in place. In addition, we recommend that the Library shrinkage rate be re-evaluated and quantified on an annual basis to ensure that this percentage is appropriate.

### ***Future Reporting Requirements***

The Governmental Accounting Standards Board ("GASB") has adopted several new pronouncements, which may have a future impact upon the County. These should be evaluated to determine the extent the County will be impacted in future years.

***GASB Statement No. 87***—The County is required to implement GASB Statement No. 87, *Leases*, effective for the fiscal year ending December 31, 2022. The objective of this Statement is to better meet the needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

***GASB Statement No. 89***—The County is required to implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the fiscal year ending December 31, 2021. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs.

***GASB Statement No. 91***—The County is required to implement GASB Statement No. 91, *Conduit Debt Obligations*, effective for the fiscal year ending December 31, 2022. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

***GASB Statement No. 92***—The County is required to implement GASB Statement No. 92, *Omnibus 2020*, effective for the fiscal year ending December 31, 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements.

**GASB Statement No. 93**—The County is required to implement GASB Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the fiscal year ending December 31, 2021. The objectives of this Statement are to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”).

**GASB Statement No. 94**—The County is required to implement GASB Statement No. 94, *Public-Public and Public-Private Partnerships and Availability Payment Arrangements*, effective for the fiscal year ending December 31, 2023. The objectives of this Statement are to improve financial reporting by addressing issued related to public-private and public-public partnerships arrangements (“PPPs”).

**GASB Statement No. 96**—The County is required to implement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the fiscal year ending December 31, 2023. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users.

**GASB Statement No. 97**—The County is required to implement GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the fiscal year ending December 31, 2022. The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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**Certified Public Accountants**

June 16, 2021

To the Audit Committee of the  
County of Erie, New York:

We have audited the financial statements of the County of Erie, New York (the "County") as of and for the year ended December 31, 2020, and have issued our report thereon dated June 16, 2021 (which report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 84, *Fiduciary Activities* and includes a reference to other auditors). 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 December 4, 2020, 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 County 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 noted during our audit in a separate letter to you dated June 16, 2021.

**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 County 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 December 31, 2020.

As described in Note 19 to the financial statements, during the year ended December 31, 2020, the County implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of GASB Statement No. 84 establishes criteria for identifying fiduciary activities of state and local governments. This Statement also provides for the recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

The effect of this restatement to the County's fiduciary funds is summarized as follows (dollars in thousands):

	Custodial Fund
Net position—December 31, 2019, as previously stated	\$ -
GASB Statement No. 84 implementation	29,998
Net position—December 31, 2019, as restated	<u>\$ 29,998</u>

During the year ended December 31, 2020, the County also implemented GASB Statements No. 83, *Certain Asset Retirement Obligations*; No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations ("AROs"). GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Other than matter discussed in Note 2, the implementation of GASB Statements No. 83, 88, and 90 did not have a material impact on the County's financial position or results from operations.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *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 for the year ended December 31, 2020 were the allowance for doubtful accounts, the net pension (asset)/liability, and the liabilities for compensated absences, judgments and claims, other postemployment benefits and workers' compensation.

Management's estimate of the allowance for doubtful accounts, the net pension (asset)/liability, and the liabilities for compensated absences, judgments and claims, other postemployment benefits and workers' compensation are based on past trends, available information regarding eligibility, leave balances and current compensation rates, estimates of specialist third parties, and actuarial valuations. We evaluated the key factors and assumptions used to develop the estimates for the allowance for doubtful accounts, the net pension (asset)/liability, and the liabilities for compensated absences, judgments and claims, other postemployment benefits and workers' compensation and determined that they are reasonable in relation to the basic 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. There are no identified uncorrected 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. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

#### **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 County'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 written representations from management, which are included in the attached letter dated June 16, 2021.

#### **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 County, 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 County's auditors.

\* \* \* \* \*

This report is intended solely for the information and use of the Audit Committee, County Legislature and management of the County and is not intended to be, and should not be, used by anyone other than these specified parties.

*Drescher & Malecki LLP*

June 16, 2021



# ERIE COUNTY COMPTROLLER

## HON. STEFAN I. MYCHAJLIW

June 16, 2021

Drescher & Malecki LLP  
3083 William Street, Suite 5  
Buffalo, New York 14227

This representation letter is provided in connection with your audit of the basic financial statements of the governmental activities, the business-type activities, the discretely presented component units, 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 December 31, 2020 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, results of operation, cash flows, where applicable, and the respective budgetary comparison of the General Fund, of the various opinion units of the County 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 considered necessary for the purpose of appropriately informing ourselves as of June 16, 2021:

### Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 4, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- The financial statements referred to above have been fairly presented in accordance with U.S. GAAP and include all properly classified funds, required 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 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.
- 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 or general revenues.
- 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.
- 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 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 accordance 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 provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- 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, claims, and assessments 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 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 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 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.

#### **Required Supplementary Information**

With respect to the required supplementary information accompanying the financial statements, including Management's Discussion and Analysis:

- 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 U.S. GAAP.
- 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.



## **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 that the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP.
- 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 the 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.

## **Other Specific Representations**

- We have not completed the process of evaluating the impact that will result from adopting GASB Statements No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; and No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending December 31, 2021, No. 87, *Leases*; No. 91, *Conduit Debt Obligations*; No. 92, *Omnibus 2020*; and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB Statement No. 32*, effective for the year ending December 31, 2022, and No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending December 31, 2023. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 87, 89, 91, 92, 93, 94, 96, and 97 will have on its financial position and results of operations when such statements are adopted.
- 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.

- We agree with the work of specialists in evaluating the liabilities for workers' compensation, judgments and claims, other postemployment benefits obligation and the net pension liability, and have adequately considered the qualifications of the specialists in determining amounts and disclosures used in the financial statements and underlying accounting records. We did not give any instructions, nor cause any instructions to be given, to specialists with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the specialists.
- We have received and approve the adjusting journal entry that was proposed by you for recording in our books and records and reflected in the financial statements. The proposed adjusting journal entry is prescribed in Exhibit I.
- We have no intention of withdrawing from multi-employer pension plans, or taking any other action that could result in an effective termination or reportable events for any of the plans. We are not aware of any occurrences that could result in the termination of any of our multi-employer pension plans to which we contribute. We believe the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purpose are appropriate in the circumstances.
- We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.
- The New York State Association of Counties ("NYSAC") and the State Division of the Budget agreed upon a methodology to bring additional federal revenues to county nursing facilities. This methodology, known as the Intergovernmental Transfer Program ("IGT"), provides for certain Medicaid rate enhancements to non-state operated, publicly sponsored nursing facilities, excluding public nursing facilities operated by a town or city within a county.

Under this methodology known as IGT, counties are required to advance a percentage of the total Intergovernmental Transfer payments, which is determined by the Federal Matching Rate approved by the Centers for Medicare & Medicaid Services ("CMS"). The qualifying nursing homes are entitled to 100% of the share amount which was allocated based upon the ratio of each facility's reported Medicaid days divided by the total reported Medicaid days for all eligible facilities.

Due to the uncertainty of timing of the IGT payments on an annual basis, any revenues or expenditures related to IGT made by the County are recorded in the fiscal year in which they are received and expended.

- 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 government-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, 2020 for governmental activities is \$28,733,740 classified as a long-term liability in the financial statements, which includes \$14,907,000 due within one year. Compensated absences of \$4,098,646 have been reported for business-type activities which includes \$375,000 due within one year. 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 position deficit of approximately \$948,888,000 at December 31, 2020 resulting primarily from the effect of GASB required recognition of other postemployment benefits annually as well as from ETASC's net deficit of \$307,311,061 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.
- The County considers items identified as discounts and cost of issuance reported within Due from Erie County on the ECFSA financial statements as issuance costs and, accordingly, expenses these items at the time of the respective debt issuance.
- Although the Buffalo and Erie County Industrial Land Development Corporation, Inc. ("ILDC") does not meet the GASB requirements to be presented as a major business-type activity fund, the County has elected to show ILDC as a major fund.
- During the year ended December 31, 2020, the County implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of GASB Statement No. 84 establishes criteria for identifying fiduciary activities of state and local governments. This Statement also provides for the recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

The effect of this restatement to the County's fiduciary funds is summarized as follows (dollars in thousands):

	Custodial Fund
Net position—December 31, 2019, as previously stated	\$ -
GASB Statement No. 84 implementation	29,998
Net position—December 31, 2019, as restated	<u>\$ 29,998</u>

- In addition to audit services, Drescher & Malecki LLP has assisted the County in preparing the County's financial statements for the year ended December 31, 2020. In conjunction with the preparation of the financial statements, the County has performed the following functions:
  - Made all management decisions and performed all management functions.
  - Designated Cheryl A. Mekarski, Interim Deputy Comptroller, whom we believe has suitable skill, knowledge, and/or experience who has overseen this service.
  - Evaluated the adequacy and results of the services performed.
  - Evaluated and accepted responsibility for the results of the services performed.
  - Established and maintained internal controls, including monitoring ongoing activities.
- 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 the 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

County of Erie, New York  
Proposed Adjusting Journal Entry  
For the Year Ended December 31, 2020

Exhibit I

Account	Description	Debit	Credit
<b>Proposed Adjusting Journal Entry JE # 1</b>			
Reporting Entry Only: to adjust Fiduciary Fund accounts for implementation of GASB 84.			
110.117000	CASH CONTROL ACCOUNT	\$ 10,624,109	\$ -
610.200000	ACCOUNTS PAYABLE CONTROL ACCT	100	-
610.200510	UNEMPLOYMENT INSURANCE - EMPLOYER	719,538	-
610.200541	FLEXIBLE SPENDING ACCOUNT-MISC MEDICAL	62,458	-
610.200542	FLEXIBLE SPENDING ACCOUNT-DEPENDENT CARE	78,586	-
610.200543	FLEXIBLE SPENDING ACCOUNT-PARKING	258,235	-
610.200544	FLEX-IND PREM CONV	4,193	-
610.200545	FLEX-105H HRA	106,566	-
610.200546	FLEX-TRANSIT PASSES	10,256	-
610.201000	OTHER LIABILITIES	16,800	-
610.205300	ACCRUED PAYABLES	1,879,595	-
610.220100	MORTGAGE TAX	4,915,688	-
610.220700	SECURITIES IN LIEU OF CASH RETENTION	3,608	-
610.221000	INTEREST EARNINGS	27,714	-
610.221100	SHARED REVENUE ASSET FORFEITURE	1,033,559	-
610.221200	PROSECUTION ASSET FORFEITURE	53,478	-
610.221800	JAIL PHONE REVENUE	919,491	-
610.221900	SHARED REVENUE ASSET ICE	392,914	-
610.222000	REFEREE ACCOUNT	5,430	-
610.223050	UNCLAIMED PAYROLL	30,098	-
610.223105	STALE DATED VENDOR CHECKS	116,153	-
610.223110	STALE DATED TRUST CHECKS	35,213	-
610.223160	EXAM FEES	25,449	-
110.201000	OTHER LIABILITIES	-	10,624,109
610.117000	CASH CONTROL ACCOUNT	-	10,624,109
610.200190	PAYROLL 3RD PARTY CLEARING	-	15,980
610.200547	FLEX-ADOPTION	-	6,113
610.205400	UNCLASSIFIED CASH RECEIPTS	-	48,694
610.223300	DSS WITHHOLDINGS	-	226
<b>Total</b>		<b>\$ 21,319,231</b>	<b>\$ 21,319,231</b>