

AUDIT COMMITTEE FOR ERIE COUNTY

ANNUAL REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2015

AUDIT COMMITTEE FOR ERIE COUNTY

Contents	2
Letter from the Chairman	3 - 8
• Concerns of the Committee	4 - 6
• Committee Responsibilities	6
• New Reporting Requirements	7
• Internal Control	7
• Auditor's Opinion	7
Exhibit One – Representation Letter	9 – 19
Exhibit Two – Management Letter	20 - 27
Exhibit Three – Audit Contract	28 - 34

AUDIT COMMITTEE FOR ERIE COUNTY

Aaron M. Saykin, Esq. – Chairman
Joshua P. Heim, Vice – Chairman
Steven Sanders, CPA
Hon. John J. Mills
Hon. Thomas A. Loughran
Scott W. Kroll, Secretary

December 2, 2016

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, 2015.

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. Capital Assets

The county's auditor, Drescher & Malecki, LLP ("D & M") found that certain items were not transferred from certain departments' construction in progress (CIP) to their appropriate capital asset category during the proper accounting period. Further, certain items were added to the County's capital asset listing which were below the County's established threshold for that category. D & M notes that the effect of this on financial statements is inconsequential, however stressed that it is important to emphasize timely review and communication by departments surrounding assets.

The Comptroller's office will work with departments to clarify guidelines and expectations regarding CIP items. This will include ensuring that the procedures are universal for closing out CIP projects and adding capital asset purchases.

2. Succession Planning

Because certain key accountants will soon be eligible to retire, the County faces the challenge of ensuring continuity and consistency of service delivery due to employee turnover. The auditors recommended that the County develop strategies concerning succession planning as recommended by the Government Finance Officers Association.

The Comptroller's office is aware of its accountants turnover potential. Policies and procedures are in place in the Comptroller's office for all accounting tasks. Such policies and procedures facilitate knowledge transfer from departing employees to new employees. The Comptroller's office is examining additional opportunities for recruitment, in addition to methods already employed. Civil Service exams are periodically given for accounting and auditing positions. Active Civil Service lists are available for accountants and auditors.

3. Cash Reconciling Items

D & M noted several accounts with reconciling items, including stale dated checks, cancellation errors, returns and other minor adjustments. D& M recommended that reconciling items be investigated and all discrepancies between general ledger and bank balances be resolved on a timely basis.

AUDIT COMMITTEE FOR ERIE COUNTY

In furtherance of this recommendation, the Comptroller's office will utilize its audit staff to review reconciliations. These reviews will be conducted on a monthly basis in order to ensure timely reconciliations.

4. **Subrecipient Determination and Monitoring**

The Uniform Guidance 200.330 states that, "the non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor." Per review of the criteria as stated in the Uniform Guidance 200.330, characteristics which support the classification of a subrecipient include when the entity:

1. Determines who is eligible to receive what Federal assistance;
2. Has its performance measured in relation to whether objectives of a Federal program were met;
3. Has responsibility for programmatic decision making;
4. Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
5. In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing the statute, as opposed to providing goods or services for the benefit of the pass-through entity.

Although D & M identified no findings as a result of its testing procedures, it noted that employees did not have an understanding of the determination for a subrecipient based on this criteria. The Comptroller's office will further strive to make County employees aware of this section of the Uniform Guidance to the departments handling Federal awards and encourage them to document procedures to justify their determined relationships.

5. **Tax Cap Override**

D & M discussed the implications of New York State's real property tax cap and its implications on revenue for the County. D & M recommends that the County thoroughly evaluates the implications of the cap on the services it provides.

The elected officials responsible for making spending and revenue decisions for the county seem keenly aware of the tax cap. We recommend that the County review the property tax cap to ensure that the County abides by New York State law in the submission and execution of its budget.

AUDIT COMMITTEE FOR ERIE COUNTY

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 3 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 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 provided for the extension of the contract through the years 2014 and 2015. We recommend that the County extend the contract with Drescher & Malecki through the year ending December 31, 2015. Further, in June of 2016, the Committee recommended that D & M be selected for an additional term of three years. The Legislature approved this recommendation.

AUDIT COMMITTEE FOR ERIE COUNTY

New Reporting Requirements

The County of Erie is in the process of implementing the applicable portions of the following GASB Statements:

- 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 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*;
- GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans*;
- GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*;
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments – an Amendment of GASB Statement No. 55*;
- GASB Statement No. 77, *Tax Abatement Disclosures*;
- GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*;
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*;
- GASB Statement No. 80, *Blending Requirements for Certain Component Units*;
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*; and
- GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No. 73*.

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 has rendered an opinion that the financial statements of the County of Erie for the year ending December 31, 2015 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.

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.

AUDIT COMMITTEE FOR ERIE COUNTY

Should you have any questions regarding the contents of this report, please contact me at 848-1345 or Scott Kroll at 858-8843.

Respectfully submitted,

AUDIT COMMITTEE FOR ERIE COUNTY

Aaron M. Saykin, Esq.
Chairman

Exhibit One – Representation Letter



ERIE COUNTY COMPTROLLER

HON. STEFAN I. MYCHAJLIW

June 21, 2016

Drescher & Malecki LLP
3083 William Street, Suite 5
Cheektowaga, 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 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, 2015 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, and cash flows, where applicable, 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 21, 2016:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated November 23, 2015, 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 design, implementation, and maintenance of internal control to prevent and detect fraud.

- 1 -

- 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.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- 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, 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.
- 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 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 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.

Single Audit and Draft Part 43 of NYCRR

- With respect to federal awards, we represent the following to you:
 - We are responsible for understanding and complying with and have complied with the requirements of the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), as applicable.
 - We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
 - We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
 - The methods of measurement or presentation have not changed from those used in the prior period.
 - We are responsible for including the auditor’s report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
 - We have notified you of federal awards and funding increments that were received before December 26, 2014, and differentiated those awards from awards and funding increments received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.

- When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
- We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
- We are responsible for complying 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 federal program; and we have complied, in all material respects, with these requirements.
- We have provided to you our interpretations of any compliance requirements that have varying interpretations.
- We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide 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. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
- 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 relating to federal programs.
- We have received no requests from a federal agency to audit one or more specific programs as a major program.
- We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the Uniform Guidance (for grant awards and funding increments received on or after December 26, 2014) or U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Tribal Governments* (for grant awards and funding increments received before December 26, 2014).

- We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- We have monitored subrecipients to determine if they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance (for grant awards and funding increments received on or after December 26, 2014) or OMB Circular A-133 (for grant awards and funding increments received before December 26, 2014).
- We have issued management decisions timely after the receipt of subrecipients' auditor reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and have ensured that the subrecipients have taken the appropriate and timely corrective action on findings.
- We have considered the results of subrecipients' audits and have made any necessary adjustments to our own books and records.
- We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Uniform Guidance (for grant awards and funding increments received on or after December 26, 2014) or U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Tribal Governments* (for grant awards and funding increments received before December 26, 2014), as applicable.
- We have charged costs to federal awards in accordance with the provisions of the Uniform Guidance (for grant awards and funding increments received on or after December 26, 2014) or U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Tribal Governments* (for grant awards and funding increments received before December 26, 2014), as applicable.
- 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 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.


- We are responsible for and will accurately complete the appropriate sections of the Data Collection Form as required by the Uniform Guidance, and we are responsible for preparing and implementing a corrective action plan for each audit finding.
- We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes and an acknowledgment of the auditor's role in the preparation of this information.
- We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
- 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.
- We agree with the work of specialists in evaluating the liabilities for workers' compensation, judgments and claims liability, other postemployment benefits 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 value 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.
- With respect to the required supplementary information accompanying the financial statements:
 - We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
 - We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - The methods of measurement or presentation have not changed from those used in the prior period.

- 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 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, 2015 for primary government is \$27,090,404 of which \$22,997,060 has been recorded within governmental activities as a non-current liability, and \$4,093,344 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.
- During the year ended December 31, 2015, the County implemented GASB Statements No. 68 and No. 71. These statements required the reconsideration of reporting the County's share of the net pension liability related to its pension plans. Accordingly, the County has restated December 31, 2014 governmental activities and business-type activities net position by \$9,674,486 and \$1,256,176, respectively.
- During the year ended December 31, 2015, the County elected to change its method of recording community development loans. These loans will be offset by nonspendable fund balance. Previously, these loans were offset by a deferred inflow of resources. As a result of this implementation, fund balance of the Community Development Fund and governmental activities net position increased \$31,051,544, and deferred inflows of resources decreased by the same amount.
- The E-911, Grants and the Community Development Special Revenue Funds reported an unassigned deficit in the amounts of \$43,442, \$484,726 and \$19,483, respectively. These unassigned deficits are the result of nonspendable amounts reported for prepaid assets and are expected to be remedied in the subsequent year.
- The governmental activities reported a total net deficit of \$4,873,000 at December 31, 2015 resulting primarily from ETASC's net deficit of \$277,116,468 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.

- Management has evaluated subsequent events through June 21, 2016, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events that require disclosure under generally accepted accounting principles.
- In addition to audit services, Drescher & Malecki LLP has assisted the County in compiling the County's federal financial assistance schedules for the year ended December 31, 2015. In conjunction with the compilation of the financial statements, the County has performed the following functions:
 - Made all management decisions and performed all management functions.
 - Designated James B. 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 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

Exhibit Two – Management Letter

Certified Public Accountants

June 21, 2016

Honorable County Legislature,
County Executive, County Comptroller 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, 2015, 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.

In addition, during our audit 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 21, 2016 on the financial statements of the County. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with the 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.

A handwritten signature in black ink that reads 'Drescher & Malecki LLP'.

June 21, 2016

Succession Planning

In instances where key employees are becoming eligible to retire, there is a concern that not enough qualified or available workers will be prepared to replace them.

The Government Finance Officers Association (“GFOA”) encourages governments to address the following key issues and develop strategies concerning succession planning.

- ***Develop an integrated approach to succession management***—Organizations with an integrated, rather than “just-in-time,” approach to succession management experience higher retention rates, increased employee morale, and an environment that stimulates innovation and organizational change. There are some positions in an organization that are more critical than others. A successful succession plan should place a high priority on planning for a smooth change in such positions. It is a benefit to hire and train replacements prior to the separation of current employees. Key components of an integrated succession management approach include: workforce planning, succession planning, knowledge management practices, and recruitment and retention practices.
- ***Continually assess potential employee turnover***—Making career planning discussions a part of a regular and ongoing performance review process assists in assessing potential turnover. Department heads are a good resource in helping to identify employees that may be planning to leave.
- ***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.
- ***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. A meeting should be held with departing staff to document job responsibilities.
- ***Design of better recruitment and retention practices may aid in the succession process***—Many organizations will focus more on recruiting the new employee and less on orienting the person to the position and the ongoing development of the employee. Making sure pay levels are competitive with the market place is one means of retaining employees. Providing career advancement opportunities for employees is another means of retention.

Tax Cap Override

New York State has implemented a tax cap for certain local municipalities, including the County of Erie. While we salute the objective of the tax cap and its attempt to ensure a prudent use of tax payer resources, we encourage municipalities to consider the potential effect on the services provided to citizens.

Taxpayer revenue is derived through the budget process from several factors that are not directly tied to the value of services received by individual taxpayers. A vehicle such as the tax cap that focuses on only a part of the budget equation could create dangerous constraints that threaten the level of service a community is accustomed to.

Through democratic process the public has entrusted representatives to serve the practical needs of taxpayers. The budget of a governmental entity serves as an expression of public policy outlining the objectives and priorities for a community. Any constraint, such as a tax cap, placed on the budget of a local municipality impedes the government's ability to meet expectations of its residents.

In serving the practical needs of a jurisdiction, local governmental entities are obligated to invest in non-revenue-producing capital assets such as buildings, roads, bridges, and sidewalks. Governments have an implicit commitment to bear the expenditures associated with maintaining their infrastructure, whether or not they are used directly to produce revenues. As a result, the objectives and priorities associated with non-revenue-producing capital assets are often altered, suspended, and ignored when the resources provided within a budget are limited.

Local legislative bodies are granted broad powers to adopt local laws in order to carry out their governmental responsibilities (New York Constitution, Article IX, § 1(a)). The "Home Rule", found within Article IX of the New York State Constitution, provides the constitutional and statutory powers of a local government to carry out the functions and activities of local government without undue infringement by the State. The government's primary obligation is to promote the general welfare of all its citizens by upholding the prevailing objectives and priorities of the people notwithstanding undue infringement by State legislation.

We recommend that the County thoroughly evaluates the implications of the New York State tax cap on the services it provides. Should the County find it necessary to override the New York State tax cap to serve the practical needs of its residents, it should communicate to the public the reasoning for the override and consider creating a local law utilizing the aforementioned "Home Rule" to self-impose its own spending cap. A self-imposed spending cap would be established by first, identifying the practical needs of the County and second, establishing minimum cost criteria to meet those needs.

Capital Assets

The County should require that each department reviews its construction in progress ("CIP") at year end and appropriately transfer completed CIP projects to their applicable asset category. Further, the County should review purchases within the equipment and capital outlay object codes to ensure all purchases that qualify as a capital asset are added to the capital assets listing during the year of purchase.

We found that certain items were not transferred from CIP to the appropriate capital asset category during the proper accounting period. Further, certain items were added to the County's capital asset listing which were below the County's established threshold for that category.

Although the effect to the financial statements is inconsequential, it is important to emphasize timely review and communication by departments surrounding capital assets. We recommend that the County establish and communicate universal procedures for closing out CIP projects and adding capital asset purchases. In addition, we recommend that the County revisit their capitalization thresholds and determine whether those thresholds should be revised.

Subrecipient Determination and Monitoring

The County should communicate and monitor specific criteria to appropriately distinguish and document their relationships between the County and pass-through entities involved in Federal grants as subrecipient or contractor in accordance with the Uniform Guidance.

The Uniform Guidance § 200.330 states that, “the non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.” Per review of the criteria as stated in the Uniform Guidance § 200.330, characteristics which support the classification of a subrecipient include when the entity:

1. Determines who is eligible to receive what Federal assistance;
2. Has its performance measured in relation to whether objectives of a Federal program were met;
3. Has responsibility for programmatic decision making;
4. Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
5. In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

During our testing of the County’s Federal grant activity, it was noted that employees did not have an understanding of the determination for a subrecipient based on this criteria. Although no findings were identified as the result of our procedures, it is essential that County employees responsible for handling Federal awards have a thorough understanding of the criteria and the compliance requirements in the event pass-through funds confirm a subrecipient relationship with the County. We recommend that the County communicate this section of the Uniform Guidance to the departments handling Federal awards and document procedures to justify their determined relationships.

Cash Reconciling Items

We noted there are several accounts with reconciling items, including stale dated checks, cancellation errors, returns and other minor adjustments. In addition, the County was unable to provide us a reconciliation of cash transactions between the Agency and General funds. Lastly, bank reconciliations are not being reviewed in a timely manner.

We recommend that reconciling items be investigated and all discrepancies between general ledger and bank balances be resolved on a timely basis. Further, we recommend that an individual with a full understanding of the bank reconciliation process be responsible for reviewing the bank reconciliations for any unusual items and ensure reconciling items are being corrected on a timely basis. Additionally, the County should require the individual responsible for reviewing bank reconciliations to initial and date the form upon timely completion.

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. 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 requirements of this Statement will enhance comparability of financial statements among governments by requiring measurements of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position.
- ***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 No. 68*, effective for fiscal year ending December 31, 2017. 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 No. 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.
- ***GASB Statement No. 76***—The County is required to implement GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments—an amendment of GASB Statement No. 55*, effective for the fiscal year ending December 31, 2016. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

EXHIBIT I

- ***GASB Statement No. 77***—The County is required to implement GASB Statement No. 77, *Tax Abatement Disclosures*, effective for the fiscal year ending December 31, 2016. This Statement requires the disclosure of information about the nature and magnitude of tax abatements and will make these transactions more transparent to financial statement users.
- ***GASB Statement No. 78***—The County is required to implement GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for the fiscal year ending December 31, 2016. This Statement addresses a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- ***GASB Statement No. 79***—The County is required to implement GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for the fiscal year ending December 31, 2016. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.
- ***GASB Statement No. 80***—The County is required to implement GASB Statement No. 80, *Blending Requirements for Certain Component Units*, effective for the fiscal year ending December 31, 2017. The purpose of this Statement is to clarify the financial statement presentation requirements for certain component units.
- ***GASB Statement No. 81***—The County is required to implement GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for the fiscal year ending December 31, 2017. This Statement will improve accounting and financial reporting by establishing recognition and measurement requirements for irrevocable split-interest agreements.
- ***GASB Statement No. 82***—The County is required to implement GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the fiscal year ending December 31, 2017. This Statement addresses issues regarding (1) the presentation of payroll-related measures in the supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Exhibit Three – Audit Contract

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

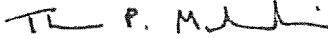
4. This Amendment shall not be enforceable until signed by all parties and approved by the Office of the County Attorney.

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

THE COUNTY OF ERIE

DRESCHER & MALECKI LLP

By: 
Name: Mark C. Poloncarz/Richard Tobie
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 INSURED Drescher & Malecki LLP 3083 William St Suite 5 Cheektowaga NY 14227	CONTACT NAME: William Hobson PHONE: (716) 856-3367 FAX: (716) 856-5850 EMAIL: whobson@stevensagency.com INSURER(S) AFFORDING COVERAGE: INSURER A: General Casualty Co. of WI NAIC # 24414 INSURER B: INSURER C: INSURER D: INSURER E: INSURER F:
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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	AGGREGATE LIMIT	POLICY NUMBER	POLICY EFF. DATE (MM/DD/YYYY)	POLICY EXP. DATE (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES FOR: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO. PROP. <input type="checkbox"/> LOC		CCS0602866	9/1/2014	9/1/2015	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES & CONTENTS \$ 1,000,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMPIOP AGG \$ \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS		CCS0602866	9/1/2014	9/1/2015	COMBINED SINGLE LIMIT (E & A & BODILY) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
A	<input checked="" type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS MADE CED <input checked="" type="checkbox"/> RETENTION \$ 10,000		CCU0602866	9/1/2014	9/1/2015	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000 \$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) if yes, describe under DESCRIPTION OF OPERATIONS below	Y/N N/A	LWC0602866	9/1/2014	9/1/2015	WC STATUS WITH EMP (COPY LIMITS) E.L. EACH ACCIDENT \$ 100,000 E.L. DISEASE - EA EMPLOYEE \$ 100,000 E.L. DISEASE - POLICY LIMIT \$ 500,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACCORD 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 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

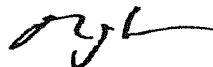
WHEREAS, the response from Drescher & Malecki LLP complied with all aspects of the Audit Committee's RFP.

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:

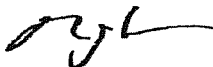
For the Year Ended December 31	Mental Health	Health Department	Other Departments
2014	\$4,050	\$4,050	\$4,050
2015	\$4,150	\$4,150	\$4,150

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