



ERIE COUNTY COMPTROLLER

KEVIN R. HARDWICK

June 14, 2024

Drescher & Malecki LLP
2721 Transit Road, Suite 111
Elma, New York 14059

This representation letter is provided in connection with your audit of the 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, 2023 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 such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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 14, 2024:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 7, 2023, 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 the system 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.
- The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures, are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP.
- All 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/expenditure 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/amortized.
- 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.
 - A written acknowledgement of all the documents that we expect to issue that will be included in the annual report and the planned timing and method of issuance of that annual report.
 - A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.
- The financial statements and any other information included in the annual report are consistent with one another, and the other information does not contain any material misstatements.
- 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 evaluation of the entity's ability to continue as a going concern, including significant conditions and events present, and we believe that our use of the going concern basis of accounting is appropriate.
- 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 all the entity's related parties and the nature of 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 the remainder of GASB Statement No. 99, *Omnibus 2022*; No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and No. 101, *Compensated Absences*, effective for the year ending December 31, 2024; No. 102, *Certain Risk Disclosures*, effective for the year ending December 31, 2025; and No. 103, *Financial Reporting Model Improvements*, effective for the year ending December 31, 2026. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 99, 100, 101, 102, and 103 will have on its financial position and results of operations when such statements are adopted.
- Management has appropriately recognized all significant leases and subscription-based information technology arrangements.
- During the year ended December 31, 2023, the County implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements ("SBITA")*, as a result of the implementation, the County's right-to-use SBITA assets and long-term liabilities were restated as of December 31, 2022. Accordingly, net position for governmental activities at December 31, 2022 has been restated by \$42,000. In addition, the County's discretely presented component unit, the Library, also restated beginning net position at December 31, 2022 by \$13,000 due to the implementation of GASB Statement No. 96.
- Management has disclosed whether, subsequent to December 31, 2023, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to reportable conditions (including material weaknesses), have occurred.

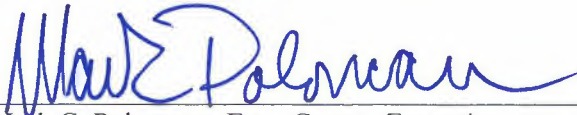
- The County is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables, and accounts receivables, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad 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/(asset), 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.
- As of the report date there is a significant legal case pending against the County. While a verdict has been rendered, that verdict is subject to a lengthy post-trial schedule which results in legal uncertainty as to the liability that will be paid out by the County. As of December 31, 2023, the County does not have enough information to estimate the amount of the liability nor the probability of it being paid out. Accordingly, the County has not recorded a long-term liability as of year-end.
- We have received and approved the adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements. The proposed adjusting journal entries are 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, 2023 for governmental activities is \$31,957,489 classified as a long-term liability in the financial statements, which includes \$18,996,371 due within one year. Compensated absences of \$3,665,699 have been reported for business-type activities which includes \$288,498 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 County's total OPEB obligation at December 31, 2023 is estimated to be \$833,976,532 and \$140,376,505 for governmental activities and business-type activities, respectively. The County's governmental activities reported \$34,047,000 as due within one year.
- The governmental activities reported a total net position deficit of approximately \$259,572,000 at December 31, 2023 resulting primarily from the effect of GASB required recognition of other postemployment benefits annually as well as from ETASC's net deficit of \$317,977,345 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 ECFA 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.
- The County reported a long-term interfund loan in the amount of \$9,066,000 within the General Fund nonspendable fund balance at December 31, 2023. This balance represents a long-term interfund loan from the Utilities Fund to the General Fund to cover a receivable due from Erie County Medical Center Corporation ("ECMCC") for utility billings. At this time, the County does not believe an allowance for this receivable is necessary.
- The County's primary government reports restricted cash and cash equivalents and investments of \$325,847,000 and \$48,120,000, respectively, to support restricted fund balance, amounts with constraints placed on their use by either external parties and/or statute, amounts held on behalf of others, and for unspent bond proceeds.

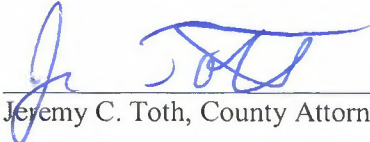
- The County reports nonspendable, restricted, assigned and unassigned fund balances. The County has nonspendable balances of \$26,795,000, restricted balances of \$295,610,000, assigned balances of \$361,220,000 and unassigned balances of \$140,531,000 within its governmental funds for the year ended December 31, 2023.
- With respect to Drescher and Malecki LLP's assistance in preparing the County's basic financial statements for the year ended December 31, 2023, we have performed the following functions:
 - Made all management decisions and performed all management functions.
 - Assigned a component individual, Tim Callan, Deputy Comptroller, to oversee the services.
 - Evaluated the adequacy of the services performed.
 - Evaluated and accepted responsibility for the results of the services performed.
 - Established and maintained controls, including a process to monitor the system of internal control.
- 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



Dr. Kevin R. Hardwick, County Comptroller



Jeremy C. Toth, County Attorney



Tim Callan, Deputy County Comptroller

County of Erie, New York
Proposed Adjusting Journal Entries
For the Year Ended December 31, 2023

Exhibit I

Account	Description	Debit	Credit
Proposed Adjusting Journal Entry JE # 1			
Reporting Entry Only: to adjust Fiduciary Fund accounts for Statement No. GASB 84.			
110.117000	CASH CONTROL ACCOUNT	\$ 11,103,933	
610.200510	UNEMPLOYMENT INSURANCE - EMPLO	69,807	
610.200541	FLEXIBLE SPENDING ACCOUNT-MISC MEDICAL	98,872	
610.200542	FLEXIBLE SPENDING ACCOUNT-DEPENDENT CARE	92,777	
610.200543	FLEXIBLE SPENDING ACCOUNT-PARKING	292,309	
610.200544	FLEX-IND PREM CONV	4,193	
610.200545	FLEX-105H HRA	118,446	
610.200546	FLEX-TRANSIT PASSES	10,256	
610.201000	OTHER LIABILITIES	16,800	
610.205300	ACCRUED PAYABLES	3,168,064	
610.220100	MORTGAGE TAX	3,355,627	
610.220700	SECURITIES IN LIEU OF CASH RETENTION	3,608	
610.221000	INTEREST EARNINGS	71,161	
610.221100	SHARED REVENUE ASSET FORFEITURE	1,687,275	
610.221200	PROSECUTION ASSET FORFEITURE	66,345	
610.221800	JAIL PHONE REVENUE	1,095,003	
610.221900	SHARED REVENUE ASSET ICE	596,091	
610.222000	REFEREE ACCOUNT	34,351	
610.223050	UNCLAIMED PAYROLL	35,703	
610.223105	STALE DATED VENDOR CHECKS	362,174	
610.223110	STALE DATED TRUST CHECKS	66,113	
610.223160	EXAM FEES	64,190	
610.223300	DSS WITHHOLDINGS	6,126	
110.201000	OTHER LIABILITIES		\$ 11,103,933
610.117000	CASH CONTROL ACCOUNT		11,103,933
610.200000	ACCOUNTS PAYABLE CONTROL ACCT		4,965
610.200190	PAYROLL 3RD PARTY CLEARING		23,835
610.200191	PAYROLL 3RD PARTY TRAVEL CLEAR		12,145
610.200547	FLEX-ADOPTION		6,425
610.205400	UNCLASSIFIED CASH RECEIPTS		163,918
610.222100	SPLIT CHECK ACTIVITY		70
Total		<u>22,419,224</u>	<u>22,419,224</u>
Proposed Adjusting Journal Entry JE # 2			
To increase nonspendable balance for 2021 and 2022 ECMCC bills still outstanding.			
110.389999	UNRESERVED/UNDESIGNATED FUND BALANCE	5,265,910	
110.310090	RES-FUND BAL-OTHER		5,265,910
Total		<u>\$ 5,265,910</u>	<u>\$ 5,265,910</u>