

COUNTY OF ERIE
COUNTY CONTROLLER'S AUDIT REPORT
FOR THE YEAR ENDING DECEMBER 31, 2013



MARY E. SCHAAF
COUNTY CONTROLLER

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COUNTY CONTROLLER

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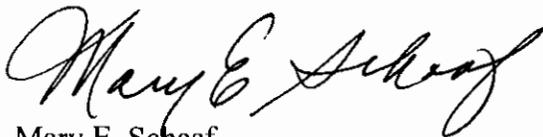
DATE: MARCH 31, 2014

**TO: COUNTY COUNCIL
COUNTY EXECUTIVE**

This report covers the examination of selected cash accounts and related records of the General Fund, Special Revenue, Debt Service and Trust and Agency Accounts of Erie County for the year ended December 31, 2013.

Each audit examination was conducted in accordance with Auditing Procedures as described on Page 2.

As the independent watchdog for Erie County taxpayers promoting transparency and accountability in each of Erie County's agencies, boards, commissions, departments and offices, the Controller has issued additional comments, also.



Mary E. Schaaf
Erie County Controller



Mark J. Orlop
Manager of Internal Audits

AUDIT PROCEDURES

Cash Accounts

The following audit procedures have been applied to the cash accounts contained within this report.

1. Bank statements were reconciled at December 31, 2013.
2. Total deposits per the bank statements for the year ended December 31, 2013 were compared to total receipts written.
3. Total disbursements per the bank statements for the year ended December 31, 2013 were compared to total disbursements.

Disbursements

Domestic Relations, E-911, Emergency Management, General Fund, Planning and Public Health Disbursements were tested for legality of claim, existence of proper documentation and proper account coding. Legality of claim includes examination of purchase orders, where appropriate, review of proper approval, examination of invoices for mathematical accuracy and comparison of disbursements with budgeted amounts. Appendix A lists the exceptions for the year ended December 31, 2013.

Payroll

The Controller's Office receives notification of employee terminations, hiring and payroll rate changes from the Personnel Office. Gross pays are examined for the first pay period of new employees and the last pay period of terminated employees to assure a proper payroll cut off. We examine authorizations for payroll rate changes and retroactive pays, where appropriate, so as to compare them to the payroll register.

2013 CURRENT FINDINGS AND RECOMMENDATIONS

The following Findings and Recommendations for improvement are a result of this year's auditing:

Satellite Agent Agreements

The County has contracts with satellite agents throughout the county to sell dog licenses. Section 3.c. of the standard agent agreement states the agent will "remit to the Department on or before the tenth day of each calendar month the license fees collected for the preceding calendar month..." During 2013, several satellite agents were allowed to submit their monthly collection report without payment and were told the County would bill them later.

Since deposits for the sales recorded were not made, the County did not have sufficient funds to pay the State license fees. In July, the General Fund wired \$5,000 to the State Revenue Account to cover the overdraft of funds. Commissions due to the County for June, July, and August were withheld until October when deposits were sufficient to cover payments. The General Fund was reimbursed and the commissions were paid in October.

Also, one satellite agent regularly comes in and pays with cash. Section 3.e. of the agreement states they should remit a check.

We recommend the Director of Revenue ensure satellite agents remit license fees in accordance with the written agreements.

State Account Bank Reconciliation

Bank reconciliations for September, October, November, and December of 2013 were not completed until March of 2014. As noted above, some satellite agents were allowed to submit their sales report without payment. Since deposits were not matched to sales at the time they were entered there are numerous unresolved discrepancies for satellite agent sales being carried as reconciling items, some dating back to 2012. The net amount of these reported over and under payments is \$373.80 owed to the County. One of these discrepancies is a reported overpayment of \$349.15. Our review of this agent found that \$1,261.65 was owed to the County for 2013. We found three payments from this agent totaling the \$1,261.65 owed. We could not find sufficient evidence that an overpayment occurred.

We recommend the Revenue Department complete the bank reconciliation within 30 days of the receipt of the bank statement. We also recommend that the Director of Revenue review and initial the bank reconciliations to ensure they are completed timely and old discrepancies have been resolved.

State Account Cash Balance

All fees collected for the State Revenue Account are due to either the State or the County. Weekly ACH payments are made to the State for hunting and fishing licenses sales while dog and other licenses sales are paid by check to the State and County monthly. The ledger balance at the end of the month should be equal to the total sales less hunting and fishing ACH payments. As of 12/31/13 the reported ledger balance is \$4,351.43. December sales less ACH payments for December sales total \$4,143.90.

We recommend the Account Clerk reconcile the bank statement to the month end undisbursed balance.

Election Funds

The Controller's Office reviewed the procedure and issuance of \$106,300 from the General Fund for poll workers for the May 21, 2013 primary election. The current procedure is for Accounts Payable to issue a check for the total estimated amount needed for poll workers in the name of the Head of Tax Claim and Revenue Department. He cashes the check at a local bank, returning to the Courthouse with cash which is disbursed during election night to the Judges of Election of each of the 154 polling sites in Erie County as they bring in their records. This creates potential security issues for the Erie County Courthouse and the Judges of Election.

For security and recordkeeping purposes, the Controller recommends Erie County pay poll workers through the Accounts Payable system the Friday following Election Day as is already done in other Pennsylvania counties.

2013 UNRESOLVED FINDINGS AND RECOMMENDATIONS

The following Findings and Recommendations for improvement reported in prior Controller's Audit Reports have not been resolved:

Erie County Retirement Fund

In the 2012 report, the Controller recommended the Erie County Retirement Board re-examine and eliminate the separate contracts for relationship fees. In 2013, the Pension paid a total of \$162,898 in relationship fees in addition to Money Manager fees for a total of \$857,230 in investment fees. The Pension Consultant has agreed to work with the Controller to re-examine these fees in 2014.

Inadequate Audit Coverage Due to Budget Reductions

With the elimination of a Senior Auditor position in 2009, the staffing levels of the Controller's Office are not sufficient to meet the requirements of the mandated duties of the County Home Rule Charter to ensure the taxpayers that the internal controls are functioning properly. In order for the County Controller's office to fulfill the duties outlined in the Administrative Code as well as meet the State mandated schedule for District Magisterial Audits, we recommend that the Senior Auditor position be restored. It should be noted that the County Executive did restore a Senior Auditor position to the Controller's Office in the 2014 County Budget at the same level of funding as in 2013. There was no additional funds requested for the position due to the retirement of the Deputy Controller which resulted in reduced salary and fringe benefits costs. However, the County Council voted to eliminate the requested auditor position and reduced the County Controller's Office Budget for 2014.

PRIOR AUDIT RESOLVED FINDINGS AND RECOMMENDATIONS

The prior Audit Report contained Findings and Recommendations for improvements that we believed to be significant.

The following Findings and Recommendations for improvement were reported in the 2012 Controller's Audit Report and have been acted upon or resolved favorably:

Security Review – Tax Claim/Revenue

During 2012 it had come to the attention of the Controller's Office that the Tax Claim/Revenue Office needs to control access by the general public to the areas behind the counter. We recommended that the Director of Finance request that the Sheriff's Department perform a review of the Tax Claim/Revenue work areas. As of the date of this report, a gate was installed to limit public access behind the counter.

Planning – Investment Interest

Interest earned on investments through PA Invest had not been receipted and recorded in the cash ledger. The interest is automatically reinvested by PA Invest. The Planning Accountant was doing a journal entry to record the interest as deferred income. We recommended receipting and recording the interest to the cash ledger. Currently interest is being receipted and recorded in the cash ledger.

Accounting Procedure Manual

We had recommended updating the County's Accounting Policies and Procedure manual and posting it on the County website. The Finance office is in the process of reviewing and updating the manual. Once an updated manual is completed it will be posted on the Employee Portal. These updates are scheduled to be completed in 2014.

Control Of Overtime

For the year ended December 31, 2013, the County paid \$1,406,986 in overtime to County employees. The County budgeted \$1,481,911 for overtime for that period. As a result the County was under budget by \$74,925. The tighter administrative controls implemented in 2009 are working.

Although the County as a whole was under budget, there were still several departments over budget. It should be noted these departments had funds budgeted in other line items that should have been transferred. We feel funding and staffing changes budgeted for 2014 will correct these issues. The Controller's Office will continue to monitor overtime expenditures.

Investigative Report on Prison

The Controller's Office performed an Independent Special Investigation of the Erie County Prison in response to an anonymous report of theft of ammunition and time card fraud. On October 15, 2012, the Controller's Office issued its Investigative Report to all County Officials and the taxpayers of Erie County. This report which details our findings as well as recommendations to improve the control weaknesses that led to the problems may be found on the Erie County Government website under the Controller.

In 2013, the Administration issued a Corrective Action Plan in response to the Controller's recommendations. The following pages contain the response.

On October 17, 2013, the Controller's Office conducted a physical inventory of the Prison Armory and a review of the Armory records. We found no discrepancies and will continue to perform an annual physical inventory.



BARRY GROSSMAN
COUNTY EXECUTIVE

COUNTY OF ERIE
OFFICE OF ADMINISTRATION

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**CORRECTIVE ACTION PLAN
FOR THE COUNTY CONTROLLER'S PRISON REPORT
DATED OCTOBER 15, 2012**

Finding #1: Payroll/Leave #1

Recommendation: The Administration has placed one employee on unpaid leave pending completion of the investigation and due process. The Controller's Office recommends additional disciplinary action be taken by the Administration against other involved Prison employees.

Response: After the completion of investigations by the Administration including both the Prison and Finance Departments, as well as the Erie City Police Department, the employment of two employees was terminated and criminal charges were filed against them. A third employee was ordered to repay time off that was not properly authorized and is repaying the County within the time frame approved by the Personnel Director.

Finding #2: Payroll/Leave #2

Recommendation: Implementation of an electronic payroll system at the Prison as well as several internal control procedures for the current paper payroll process. The prison should strictly enforce the County Anti-Nepotism Policy preventing immediate supervision by a relative.

Response: The County started to implement an electronic integrated time and attendance, payroll and personnel system in the fourth quarter of 2012. At the time of the Controller's report a paper system was used. The Administration has implemented the new system at the prison and has hired an accountant in the Finance Department stationed at the prison whose duties include the daily review of all prison timecards.

The Prison has adopted the County Anti-Nepotism Policy. The situation in which a shift captain supervised her husband was

**CORRECTIVE ACTION PLAN
FOR THE COUNTY CONTROLLER'S PRISON REPORT
DATED OCTOBER 15, 2012
Page Two**

unique and the result of a meet and discuss with the union after a grievance was filed against the County for not allowing the husband to move to her shift even though he was the most senior bidder. At the conclusion of the 2004 meeting an agreement was reached in which the Administration would strictly enforce the anti-nepotism policy in return for the County agreeing to allow this one employee to move to first shift. The policy is and has been enforced by the Personnel Department.

Finding #3: Control Over Ammunition and Firearms

Recommendation: The report noted several weaknesses in the control over ammunitions and firearms. In particular, the inventory log, access to ammunition and guns, and use of ammunition for training and qualification.

Response: The Prison Administration updated their internal policy number 210-07, Armory & Security Equipment. The policy has been reviewed by the Finance Department and includes revised forms to properly account for ammunition and firearms. A complete copy of the policy is attached to this document and labeled Exhibit A.

Access to the armory is limited with security features including swipe card access, cameras, and pad locks. The County's fixed asset system has been updated to record the addition of a chemical launcher and the removal of a firearm that was previously destroyed.

Finding #4: County-Whistleblower Policy

Recommendation: The County does not have a formal policy for whistleblowers.

Response: The investigations performed by the Administration, Controller and Erie Police Department was the result of an anonymous letter sent to County Executive, the Finance Department and the County Controller. The County Administration has reviewed other whistleblower policies and has completed a whistleblower policy which is being disseminated to all County employees and will be posted on the County website. The County Whistleblower Policy,

**CORRECTIVE ACTION PLAN
FOR THE COUNTY CONTROLLER' S PRISON REPORT
DATED OCTOBER 15, 2012
Page Three**

policy number 45, is attached to this response and labeled Exhibit B.

Finding #5: Control of Courthouse Surveillance Records

Recommendation: No one should have access to surveillance records except law enforcement agencies during the course of a current criminal investigation. The Erie County Sheriff should be responsible to safely maintain surveillance records in a manner consistent with County policies.

Response: While the Administration agrees that a policy regarding control of surveillance records was needed, we disagree with Controller on the manner in which these records are accessed and used. Surveillance equipment is not limited to the Courthouse, and is in place or being installed in most county buildings. The Sheriff monitors the camera system during business hours just in the Courthouse and work in conjunction with the Administration to secure the building. Surveillance records are used for a variety of valid business reasons including workers compensation claims, insurance claims, security alarms being deployed, monitoring weather conditions to insure the walkways and parking lots are properly salted and plowed, as well as criminal investigations. A copy of the Surveillance System Camera Policy, policy number 47, is attached to this document and labeled Exhibit C.

ADDITIONAL COMMENTS

Erie County Retirement Plan

At the August 16, 2013 Erie County Employees' Retirement Board meeting, the Controller reported her finding of pension spiking occurring through the long standing County payroll practice of treating vacation buyback pay as compensation for the purpose of pension payment calculations. Act 96 of the Pennsylvania Pension Code Law specifically prohibits this practice. As a result, the Board passed a Resolution dated September 18, 2013 terminating this practice which will translate into millions of dollars of savings over time due to the increasing longevity of retirees. In 2013, the Annual Required Contribution to the County Pension by the tax payers was \$6,812,406. The Controller will continue to seek additional ways to reduce the escalating annual pension cost to the taxpayers.

County Contracts

The Controller requested that the Administration provide the copies of all winning bid contracts to the Controller corresponding to the bids and RFPs that were opened by the Controller's Office beginning in 2012. Discussions with the Administration resulted in the County Executive creating one centralized contract file accessible electronically by the Controller and all County departments.

The Controller is currently requesting that all County contracts be posted on the County website as public documents.

Public Safety Center

In early 2013, the Controller received a Fraud Report regarding thousands of dollars worth of equipment missing from the 911 Center. After confirming this allegation with the Finance Department, the Controller's Office and Finance Department Director went to the 911 building in March 2013 and met with the Public Safety Director regarding initiating a re-inventory of all physical assets in an attempt to locate the missing inventory. This action resulted in new security measures being instituted at the 911 Center such as restricted access to areas and surveillance cameras. The Controller's Office directed the Department of Public Safety to comply with the County's Fixed Asset Disposal Procedure going forward. The Controller will continue to monitor the physical inventory of the Public Safety Department to prevent loss of County equipment in the future. In order to properly record and protect the County's fixed assets, the Controller recommends that the Administration adopt an electronic inventory system as soon as possible.

Voters Registration and Election Board

Erie County taxpayers spend over \$500,000 per year for the conduct of Primary and Municipal Elections. The Controller conducted a study of the Absentee Ballots for the 2013 Primary Election. The 155 voters listed on the May 24, 2013 Erie County-Absentee Ballot Listing as not having returned their ballots were surveyed. 34% stated they had returned their ballots. Thirteen Voting Districts were identified with Absentee Ballot count differences between the Official Erie County May 21, 2013 Municipal Primary Statistics and the June 17, 2013 Absentee Ballot Summary as well as the May 24, 2013 Erie PA County Absentee Ballot Listing. The Controller's Office presented these findings to the Erie County Board of Elections and requested to meet to verify and support the Official May 21, 2013 Election Statistics.

The Election Board stated it would not meet with the Controller. A written response was sent to the Controller which prompted the Controller to send a list of additional questions to the Election Board and requested another sit down meeting. Again, the Election Board refused to meet with the Controller to review data.

Office of Children and Youth

The Controller's Office examined the reimbursements for mileage paid to OCY employees who attended out of town training classes. In an effort to save the County money, we recommended carpooling guidelines. The Office of Children and Youth updated the travel policies to reflect the recommendations made by the Controller's Office. We will follow up to document implementation of the car pooling guidelines.

Disposal of Surplus Property

During 2013 the County replaced several vehicles. The old vehicles were sold at an auction, as had been done in the past. After reviewing Article III, Section 1, Subsection L of the Administrative Code regarding the sale of surplus property, the Controller noted there was no provision allowing for property to be sold at auction. The Controller recommended the County Purchasing Agent request that Council amend the Administrative Code to allow for the sale of surplus property at an auction after the Controller's Office approves a disposal form. On 11/6/13 Council passed Ordinance Number 120, 2013 allowing the Purchasing Agent to sell surplus property at auction.

FINANCE OFFICE

GENERAL FUND ACCOUNTS

**FINANCE OFFICE
GENERAL FUND ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Cash and Temporary Investments at <u>Beginning of</u> <u>Year</u>	<u>Cash Receipts</u>	Cash <u>Disbursements</u>	Cash and Temporary Investments at <u>End of Year</u>
General Account	\$30,290,658	\$152,782,316	\$146,774,307	\$36,298,667
Jury Reimbursement Account	(23,346)	103,025	95,202	(15,523)
County Records Improvement Account	246,171	67,384	104,614	208,941

See Accompanying Notes to Financial Statements.

**NOTES TO GENERAL FUND ACCOUNTS
DECEMBER 31, 2013**

NOTE 1 - GENERAL ACCOUNT

The General Account is maintained to account for all financial transactions not properly accounted for in another fund.

The General Account is under budgetary control required by law. Each year the budget must be approved by County Council. The annual budget is a comprehensive financial plan for the year, which incorporates both estimates of proposed expenditures and the revenues required to finance them.

NOTE 2 - JURY REIMBURSEMENT ACCOUNT

The Jury Reimbursement Account is used to account for payments to individuals serving on Jury Duty.

NOTE 3 - COUNTY RECORDS IMPROVEMENT ACCOUNT

Pursuant to HB 196 of 1998, the County has established a County Records Improvement Account. This Bill stated that a fee in the amount of \$2.00 should be charged and collected for each document recorded. This fee shall be split equally between the "County Records Improvement Account", included as part of this report, and a separate account within the Office of the Recorder of Deeds.

Pursuant to HB 1923 of 2002, the fee charged and collected for each document recorded was increased to \$5.00. The \$5.00 fee will now be allocated with \$2.00 going to the County Records Improvement Fund and \$3.00 being retained in a separate account within the office of the Recorder of Deeds. Funds shall be expended in accordance with a comprehensive records management plan based on the goal of standardizing and equalizing the capabilities of all county offices consistent with their need to receive, manage and provide information to the public as efficiently as possible.

SPECIAL REVENUE ACCOUNTS

**FINANCE OFFICE
SPECIAL REVENUE ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Cash and Temporary Investments at Beginning of <u>Year</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Cash and Temporary Investments at <u>End of Year</u>
Mental Health/Mental Retardation Account	\$1,972,712	\$30,326,117	\$28,600,359	\$3,698,470
Drug & Alcohol Account	642,004	5,895,825	5,834,000	703,829
Children & Youth Account	1,758,883	59,854,239	60,267,826	1,345,296
Domestic Relations Account	51,066	5,140,399	5,184,497	6,968
Liquid Fuels Account	325,475	745,912	672,842	398,545
Public Health & Safety Account	(16,556)	7,942,886	7,979,154	(52,824)
Library Account	(1,188,219)	7,601,777	7,035,813	(622,255)
Planning Account	623,032	4,278,079	3,072,476	1,828,635
E-911 Account	26,955	4,192,362	3,956,612	262,705
Emergency Management Account	99,234	564,510	657,973	5,771
Employee Fringe Benefit Account	(1,820,384)	21,457,852	20,206,475	(569,007)
Gaming Funds Account	3,888,644	11,047,454	13,571,854	1,364,244
Public Safety Act 56	2,373,868	1,809,084	1,828,861	2,354,091
Healthchoices	14,660,655	82,800,808	78,788,442	18,673,021
HUD Sustainable Communities	153,377	976,187	984,863	144,701

See Accompanying Notes To Financial Statements.

**NOTES TO SPECIAL REVENUE ACCOUNTS
DECEMBER 31, 2013**

NOTE 1 - MENTAL HEALTH/MENTAL RETARDATION ACCOUNT

Administers local agency providers and passes through State Funds along with County Funds to their MH/MR activities. This fund also includes administration of adult services and in-home health services.

NOTE 2 - DRUG AND ALCOHOL ACCOUNT

State Funds are passed through to local agency providers along with County Funds for identification and treatment programs.

NOTE 3 - CHILDREN AND YOUTH ACCOUNT

Act 148 and County Funds are used to provide caseworkers for Child Protective Services. This account is also used to administer the County's Day Care Programs and the Juvenile Detention Center. This account is also used to administer Act 148, Title IV-A, Title IV-E and County funds used to pay for Court Ordered placement of dependent and delinquent children in protective and correctional institutions.

NOTE 4 - DOMESTIC RELATIONS ACCOUNT

Receives cash from defendants under Court Order and disburses the cash to the designated party either the State or plaintiff. These accounts are maintained by Domestic Relations personnel responsible to the Judges of the Court of Common Pleas.

NOTE 5 - LIQUID FUELS ACCOUNT

Tax funds received from the Commonwealth are passed through to local municipalities for road and bridge maintenance.

NOTE 6 - PUBLIC HEALTH ACCOUNT

Funds are provided by Act 315, Act 12, other grants, and the County. The funds are used to administer personal health services such as clinics, environmental protection services and other health and safety related programs.

NOTE 7 - LIBRARY ACCOUNT

Funding comes primarily from the County with additional grants from the Commonwealth of Pennsylvania and certain local municipalities. Several branch libraries are operated throughout the County and bookmobile service is also provided.

NOTE 8 - PLANNING ACCOUNT

Accounts for the activities of the County's Planning Department. Funds are received from various State and Federal Agencies including Community Development Block Grants, Coastal Zone Management, Pennsylvania Department of Transportation and County of Erie.

NOTE 9 - E-911 ACCOUNT

This account was established to account for the activities of E-911 expenses and revenues as approved by County Government.

NOTE 10 - EMERGENCY MANAGEMENT ACCOUNT

This account was established to separate Emergency Management funds from Public Health funds. Funds are provided by PEMA, other grants and the County. The funds are used to administer Emergency Management services.

NOTE 11 - EMPLOYEE FRINGE BENEFIT ACCOUNT

This account was established by Ordinance Number 144-2005, as an Internal Service Fund for County-wide fringe benefits.

NOTE 12 - GAMING FUND ACCOUNT

During 2013 the Restricted Gaming fund was closed. Gaming funds received from the Commonwealth are deposited in the Unrestricted Gaming Funds Account. Half of these funds are then transferred to the Erie County Gaming Revenue Authority to be used for municipal grants for health, safety and economic development projects. The remaining balance of the Unrestricted Funds can be used at the County's discretion.

NOTE 13 - PUBLIC SAFETY ACT 56

This account was established to account for the activities of wireless E911 expenses and revenues as approved by County Government.

NOTE 14 - HEALTHCHOICES

State funds are passed through to local agency providers for the medical assistance funding for mental health, drug and alcohol and Children's services programs.

NOTE 15 - HUD SUSTAINABLE COMMUNITIES

This account was established by Ordinance Number 2-2012 to account for the revenues and expenses of the HUD Sustainable Communities Grant. The funds are to be used to create a community development plan.

**SPECIAL REVENUE ACCOUNTS
SUPPLEMENTAL INFORMATION**

**LIQUID FUELS ACCOUNT
DETAILED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Cash at Beginning of Year		\$325,475
RECEIPTS		
Commonwealth of Pennsylvania	\$745,885	
Interest	27	
		<u>745,912</u>
		1,071,387
DISBURSEMENTS		
Various County Municipalities	\$672,842	
		<u>672,842</u>
Cash at End of Year		<u>\$398,545</u>

**GAMING FUNDS ACCOUNT
 DETAILED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

Cash at Beginning of Year \$3,888,644

RECEIPTS

Commonwealth of PA	\$11,018,977	
Interest Restricted Checking	1,138	
Interest Unrestricted Checking	15,900	
Refund from ECGRA	10,000	
HUD Sustainable Communities	<u>1,439</u>	
		<u>\$11,047,454</u>
		\$14,936,098

DISBURSEMENTS

Restricted		
Project Grants	372,867	
Bank Fees	211	
Transfer to ECGRA	<u>43,042</u>	
Unrestricted Disbursements		416,120
Project Grants	1,561,542	
Transfer to Debt Service	3,318,433	
Transfer to Library	1,053,070	
Trans. to ECGRA	5,509,489	
Salaries	27,540	
Fringe Benefits	18,094	
Transfer to Pleasant Ridge	1,667,000	
Indirect Costs	2	
Office Supplies & Expense	390	
Bank Fees	<u>174</u>	
		<u>13,155,734</u>
		13,571,854
Cash at End of Year		<u>\$1,364,244</u>

DEBT SERVICE FUND ACCOUNTS

**FINANCE OFFICE
DEBT SERVICE FUND ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Cash and Investments at Beginning of Year	\$1,765,060
Receipts	9,571,157
Disbursements	<u>8,990,781</u>
Cash and Investments at End of Year	<u>\$2,345,436</u>

See Accompanying Notes To Financial Statements.

**NOTES TO DEBT SERVICE FUND ACCOUNTS
DECEMBER 31, 2013**

NOTE 1 - DEBT SERVICE FUND ACCOUNT

This fund is used to retire County debt obligations.

NOTE 2 - GENERAL OBLIGATION BONDS

During 2012, General Obligation Bonds Series A and B were issued. The Series A Bonds were issued to refund the Series A Bonds of 2003 maturing on and after September 1, 2014. The Series B Bonds were issued to refund the Series C Bonds of 2003 maturing on and after September 1, 2014. Series B Bonds of 2003 were refunded by the 2005 Series A Bonds. As of December 31, 2013, the balance of the 2003 issue that was not refunded is \$0.

During 2005, General Obligation Bonds Series A, B and C totaling \$40,815,000 were issued. The Bonds mature in varying amounts annually through 2023. The Series A Bonds were issued to refund the Series B Bonds of 2003 maturing on and after September 1, 2014. The Series B Bonds were issued to fund various capital projects. This series was partially refunded by the 2007 Bond issue. The remaining balance of the 2005 Series B Bonds were refunded by the 2012 Series C Bonds that were issued in 2013. The Series C Bond proceeds were used to make a loan to the Greater Erie Industrial Development Corporation for the development of an Industrial Park. As of December 31, 2013 the balance of the 2005 issue is \$13,055,000.

The County issued 2007 General Obligation Bonds, Refunding Series of 2007 to advance refund a portion of the General Obligation Bonds, Series B of 2005. The Bonds mature in varying amounts annually through 2025. As of December 31, 2013 the balance of the 2007 issue is \$24,865,000.

During 2008 the County issued \$22,055,000 in General Obligation Bonds. The Bonds mature in varying amounts annually through 2017. These bonds are to be used to finance the County's obligation to the Erie Regional Airport Project (\$21,500,000) and the Erie County Courthouse Project (\$1,000,000). As of December 31, 2013 the balance of the 2008 issue is \$10,655,000.

During 2009 the County issued \$10,205,000 in General Obligation Bonds. The Bonds mature in varying amounts annually through 2021. These bonds are to be used to finance the local portion of the renovations to the Tullio Arena and related area. The 2009 Bonds were refunded by the 2012 Series C Bonds. As of December 31, 2013 the balance of the 2009 issue is \$20,000.

The County issued 2012 General Obligation Bonds Series A and B totaling \$13,605,000. The bonds mature in varying amounts annually through 2023. The Series A Bonds are to be used to refund the 2003 Series A Bonds maturing on and after September 1, 2014. The Series B Bonds are to be used to refund the 2003 Series C Bonds maturing on and after September 1, 2014. 2012 Series C Bonds totaling \$ 10,780,000 were not closed until January 2013. These bonds mature in varying amounts annually through 2021 and will be used to refund the 2005 Series B maturing on and after September 1, 2017 and the 2009 Bonds maturing on and after September 1, 2018.

As a result of the 2012 refunding, debt service payments have decreased. As of December 31, 2013 the balance of the 2012 issue is \$24,090,000.

**DEBT SERVICE FUND ACCOUNTS
SUPPLEMENTAL INFORMATION**

**DEBT SERVICE FUND ACCOUNTS
 DETAILED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

Cash and Investments at Beginning of Year		\$1,765,060
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RECEIPTS

Interest Earnings	\$3,253	
Transfer from General Fund	7,351,167	
Transfer from Gaming	1,659,217	
Transfer from Emergency Management Account	300,946	
Transfer from 911 Account	<u>256,574</u>	<u>9,571,157</u>
		\$11,336,217

DISBURSEMENTS

Principal & Interest on 2003 (1993) General Obligation Bonds	3,199,957	
Principal & Interest on 2005 General Obligation Bonds	660,375	
Principal & Interest on 2007 General Obligation Bonds	1,159,589	
Principal & Interest on 2008 General Obligation Bonds	2,955,750	
Principal & Interest on 2009 General Obligation Bonds	5,750	
Principal & Interest on 2012 General Obligation Bonds	1,002,450	
Professional Fees (Trustee)	<u>6,910</u>	<u>8,990,781</u>

Cash and Investments at End of Year		<u>\$2,345,436</u>
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TRUST AND AGENCY FUND ACCOUNTS

**TRUST AND AGENCY FUND ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Cash at Beginning of Year</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Cash at End of Year</u>
State Account	\$4,985	\$302,489	\$303,123	\$4,351
Retirement Account	385,810	12,404,797	12,402,335	388,272

**NOTES TO TRUST AND AGENCY FUND ACCOUNTS
DECEMBER 31, 2013**

NOTE 1 - STATE ACCOUNT

The State Account is maintained to account for funds collected which are a function of issuing State Licenses, Permits, etc. The various types of licenses and permits issued by the Revenue Department include dog, fishing, bingo, small games of chance and hunting licenses from which the County receives a commission. The amount of the commission varies with type of license or permit issued.

NOTE 2 - RETIREMENT ACCOUNT

The County of Erie Employees' Retirement Plan is in effect for all eligible employees and is administered by three members of County Council, the Director of Finance and County Controller. The plan is contributory whereby the County and the employees contribute to provide retirement benefits. The County is obligated to contribute sufficient funds to assure payment of all promised benefits.

TRUST AND AGENCY FUND ACCOUNTS
SUPPLEMENTAL INFORMATION

**STATE ACCOUNT
 DETAILED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

Cash at Beginning of Year		\$4,985
RECEIPTS		
Dog Licenses	\$132,686	
Fishing Licenses	3,158	
Hunting Licenses	95,090	
Bingo Licenses	4,620	
Commissions	38,789	
Small Games of Chance Licenses	25,695	
Pistol Permits	1,331	
NSF Check Fees	800	
Miscellaneous	320	
		<u>302,489</u>
		\$307,474
DISBURSEMENTS		
Commonwealth of Pennsylvania	\$231,138	
Erie County General Fund:		
Commissions	39,460	
Bingo Licenses	4,820	
Pistol Permits	1,360	
NSF Check Fees	650	
Small Games of Chance Licenses	25,695	
		<u>303,123</u>
Cash at End of Year		<u>\$4,351</u>

**RETIREMENT CLEARING ACCOUNT
 DETAILED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

Cash & Stock at Beginning of Year			\$385,810
RECEIPTS			
Members Contributions		\$2,844,809	
Erie County Contribution		6,812,406	
Interest		757	
Withdrawal from Money Managers		2,700,000	
Loss Recovery		11,410	
Securities Lending		35,161	
Increase in Value of Stock		<u>254</u>	<u>12,404,797</u>
			\$12,790,607
DISBURSEMENTS			
Retirees Net Benefits		\$9,249,465	
Death Benefits		546,024	
Member Withdrawals		218,318	
Investment Expense		857,230	
Administrative Expense		182,111	
Deductions from Retirees Pay:			
Hospitalization	343,964		
United Way	336		
North Carolina State Tax	126		
Federal Withholding	<u>1,004,761</u>	<u>1,349,187</u>	<u>12,402,335</u>
Cash and Stock at End of Year			<u>\$388,272</u>
Cash		386,573	
Stock – 100 Share of Nabors Industries Ltd		<u>1,699</u>	
Total		<u>\$388,272</u>	