COUNTY OF ERIE

NEW YORK

Comprehensive Annual Financial Report

For the Year Ended December 31, 2017

STEFAN I. MYCHAJLIW

Erie County Comptroller

COUNTY OF ERIE, NEW YORK

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2017

Prepared By:
Erie County Comptroller's Office
STEFAN I. MYCHAJLIW
Erie County Comptroller

SEAL OF ERIE COUNTY
STATE OF NEW YORK

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INTRODUCTORY SECTION

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- LETTER OF TRANSMITTAL
- GFOA CERTIFICATE OF ACHIEVEMENT
- ORGANIZATIONAL CHART
- SUMMARY OF ELECTED OFFICIALS

SEAL OF ERIE COUNTY

STATE OF NEW YORK

Erie County Comptroller

Hon. Stefan I. Mychajliw

June 21, 2018

The Honorable
Erie County Legislature
92 Franklin Street, 4th Floor
Buffalo, New York 14202

Honorable Mark C. Poloncarz
Erie County Executive
95 Franklin Street, 16th Floor
Buffalo, New York 14202

Dear Honorable Members and County Executive Poloncarz:

The Comprehensive Annual Financial Report ("CAFR") of the County of Erie, New York (the "County"), for the fiscal year ended December 31, 2017 is submitted in accordance with the requirements of Section 1202 (i) of the Erie County Charter.

INTRODUCTION

This report was prepared by the Erie County Comptroller's Office in conformance with current accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board ("GASB") and the New York Office of the State Comptroller. County management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The certified public accounting firm Drescher & Malecki LLP, the County's independent auditor, has issued an unmodified ("clean") opinion on the County's financial statements for the year ended December 31, 2017. The independent auditors' report is located at the front of the financial section of this report.

Office of Erie County Comptroller Stefan I. Mychajliw • 95 Franklin Street • Room 1100 • Buffalo, N.Y. • 14202
Phone: (716) 858-8400 • Fax: (716) 858-6195 • E-Mail: Comptroller@Erie.Gov
Whistleblower Hotline for reporting waste, fraud & abuse: (716) 858-7722 or E-Mail: Whistleblower@Erie.gov

Management's Discussion and Analysis ("MD&A") immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Basic Information

The County is a metropolitan center covering 1,058 square miles that is located on the western border of New York State, adjacent to Lake Erie. Situated within the County are 3 cities, 25 towns, and 16 villages, including the City of Buffalo, which serves as the County seat and is the State's second most populous and largest city. The County provides a variety of mandated and discretionary services covering the areas of culture, parks and recreation, social services, police, libraries, youth, health, senior services, roads, mental health, probation, corrections, emergency services, license bureau, and sanitary sewerage.

The County is a major New York industrial and commercial center, and is favorably located relative to the commercial markets of both the United States and Canada. Access to these markets is enhanced by the County's standing of being among the largest rail centers in the United States; that it is provided trucking services by numerous transcontinental, international and common carriers and is a focal point of international water-borne transportation.

Subject to the New York State Constitution and Laws, the County operates pursuant to a County Charter ("Charter") and Administrative Code. Additionally, various New York State laws govern the County to the extent that such laws are applicable to counties operating under a charter form of government.

Legislative authority of the County is vested in an 11-member governing body known as the County Legislature ("Legislature"), each member of which is elected for a two-year term. Principal functions of the Legislature include adoption of the annual budget, levying of taxes, review and approval of budget modifications, adoption of local laws, and authorization of the incurrence of all County indebtedness.

In addition to the members of the Legislature, there are five County-wide elected officials, each elected to four-year terms: County Executive, County Comptroller, County Clerk, District Attorney, and Sheriff. The County Comptroller serves as the County's chief fiscal, accounting, financial reporting and auditing officer.

Component Units

Consistent with criteria promulgated in the GASB Codification, the financial statement reporting entity includes the County of Erie, New York (the primary government) and its significant component units: the Buffalo and Erie County Public Library, the Erie County Medical Center Corporation and its three component units (i.e., Research for Health in Erie County, Inc., ECMC Foundation, Inc. and The Grider Initiative, Inc.), two component units of the Erie Community College proprietary fund (i.e., the Auxiliary Services Corporation of Erie Community College, Inc. and the Erie Community College Foundation, Inc.), the Erie County Fiscal Stability Authority, the Erie Tobacco Asset Securitization Corporation ("ETASC"), and the Buffalo and Erie County Industrial Land Development Corporation, Inc. ("ILDC").

Additional detailed information relating to the specific organizations and the manner of inclusion (discrete presentation or blending) in the reporting entity as component units, and the basis for making such determinations, are also discussed in Note I (B) to the financial statements.

Erie County Fiscal Stability Authority

In July 2005, the New York State Legislature and Governor created the Erie County Fiscal Stability Authority ("ECFSA") to monitor the County's finances. Under the Erie County Fiscal Stability Authority Act ("Act"), the legislation establishing the ECFSA, the County is required to develop and submit a Four Year Financial Plan to ECFSA for its approval. Under the Act, if the County fails to meet certain criteria, or if the County meets other criteria such as the County having "incurred a major operating funds deficit of one percent or more in the aggregate results of operations of such funds of the County during its fiscal year," (§ 3959 of the Act) the ECFSA may declare and enter into a "control period." Under the Act, in a control period, the ECFSA may engage in a number of actions including establishing a wage and/or hiring freeze, setting maximum levels of County spending and requiring its approval for any County borrowing. On November 3, 2006, citing deficiencies in the County's 2007-2010 Four Year Financial Plan, ECFSA imposed a control period on Erie County, which continued until June 2009, at which time the ECFSA voted to return to an advisory status in which it continues to function.

ECONOMIC CONDITION AND OUTLOOK

Local Economy

Historically the local economy was built on railroad commerce, steel manufacturing, automobile production, Great Lakes shipping and grain storage. However, following heavy job losses in the manufacturing sector in the 1970's and early 1980's, the local economy has become more diversified with growth in the financial, health and service sectors. This diversification has cushioned local impacts during economic downturns, but redevelopment of the local economic base and improvement of the local economy has been a gradual, sometimes sporadic, ongoing process since the mid-1980s.

With respect to the years 2001 to 2012, after the unemployment rate hovered at approximately 5.0 percent during most of the period (i.e., 2001-2008), unemployment in Erie County increased dramatically through 2009 into 2012 as a result of the worldwide recession. Erie County's unemployment rate in 2017 averaged 5.2 percent, compared to 4.7 percent in New York State and 4.4 percent nationally (s*ource Erie County and NYS: New York State Department of Labor, nationally: United States Bureau of Labor Statistics)*.

Erie County has increasingly become a center of bioinformatics and medical research including development at the University at Buffalo, Hauptman-Woodward Medical Research Institute, and Roswell Park Cancer Institute. The Buffalo Niagara Medical Campus in downtown Buffalo has continued to grow since its inception in 2001.

Under the New York State's "Buffalo Billion" economic development initiative, the State has committed $1 billion in resources for the purpose of creating hundreds new jobs to spur the local economy. As a result a wide range of projects are underway.

Economic development initiatives continue to progress on the Buffalo Niagara Medical campus, such as Kaleida Health's $270 million John R. Oishei Children's Hospital. New York State provided $35 million for the project to close a funding gap, including $15 million from the Buffalo Billion, and $20 million from other State resources. The hospital opened in 2017. (*Source: buffalobillion.ny.gov*)

Across the street from the Oishei Children's Hospital, the new $375 million Jacobs School of Medicine and Biomedical Sciences building for the State University of New York at Buffalo, an eight story 628,000 square foot building was completed in 2017. The move into the new downtown building began in November, 2017. (*Source: buffalo.edu*)

On July 15, 2015, the State unveiled plans for the Western New York Workforce Training Center, a new hub that will focus primarily on training for careers in the advanced manufacturing and energy sectors. The center will be named the "Northland Workforce Training Center". The $44 million project includes funding of $29 million from the Buffalo Billion and $15 million from the New York Power Authority. The center is scheduled for completion in July, 2018. (*Source: buffalobillion.ny.gov*)

OTHER RELEVANT INFORMATION

Relevant Financial Policies

The County Charter, amended by Local Law 3-2006 and the Budget Modernization Act Local Law 2-2012, includes specific provisions for fund balance. The Charter requires the County to establish and maintain "a balance in the General Fund established in the budget equal to or greater than five percent of the amount contained in the budget of the Fund in the immediately preceding fiscal year." The Charter also provides for limits and specific requirements governing the County's use/appropriation of fund balance including legislative approval and that the County may not appropriate fund balance below the five percent level.

Monthly Accrual/Monitoring System

Since 1985, the County has maintained a Budget Monitoring System which compares budgetary estimates at the department and account level to fully accrued actual data on a monthly basis. The monitoring reports are used as a management tool during the fiscal year. All major variances are reconciled and, as appropriate, corrective measures are taken to ensure any projected deficit condition will be prevented or minimized. The County Administration is also required to submit monthly budget monitoring reports to the County Legislature.

Independent Audit

Since 1975, it has been the County's policy to have an independent audit of its annual financial statements performed by a certified public accounting firm. The Charter provides for an independent Audit Committee that is responsible for recommending one or more specific firms to conduct annual audits of the County and the Erie Community College. The County has complied with the Charter's requirement to have an independent audit performed and the auditors' opinion is provided in the Financial Section of this report.

Erie County's 2018 Budget

Under the Charter, the County Executive is required to submit the tentative annual budget to the County Legislature by October 15th. On October 15, 2017, the County Executive presented his 2018 Tentative Budget to the Legislature for review and action. On December 7, 2017, the County Legislature adopted the 2018 Amended Budget.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the fiscal year ended December 31, 2016. This was the twelfth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year. We believe the County's CAFR for fiscal year 2017 continues to meet the Certificate of Achievement Program's requirements and we will submit the document to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efforts of the Comptroller's Office's Accounting Division staff, other cooperating County departments, and Drescher & Malecki LLP. Furthermore, I extend my appreciation to everyone who assisted and contributed to the preparation of the County's CAFR for fiscal year 2017.

Respectfully submitted,

Stefan I. Mychajliw
Erie County Comptroller

SIM/kt

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Erie

New York

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

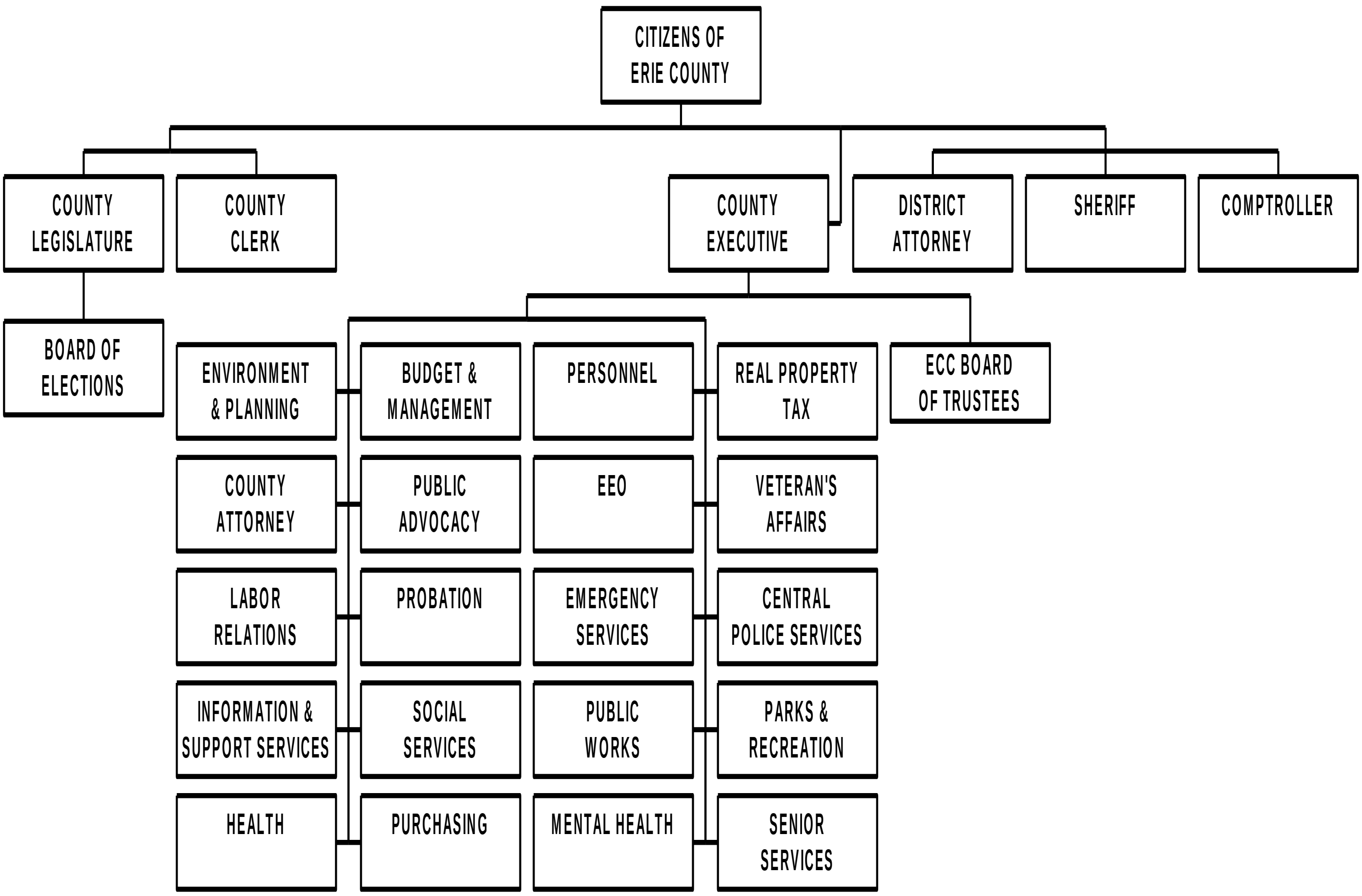
December 31, 2016

Christopher P. Morrill

Executive Director/CEO

COUNTY OF ERIE, NEW YORK
ORGANIZATIONAL CHART

December 31, 2017



COUNTY OF ERIE, NEW YORK
SUMMARY OF ELECTED OFFICIALS
December 31, 2017

COUNTY CLERK	COUNTY EXECUTIVE	DISTRICT ATTORNEY	SHERIFF	COUNTY COMPTROLLER
Michael P. Kearns	Mark C. Poloncarz	John J. Flynn	Timothy B. Howard	Stefan I. Mychajliw

ERIE COUNTY LEGISLATORS

District No. 1	Barbara Miller-Williams	District No. 7	Patrick B. Burke
District No. 2	Betty Jean Grant	District No. 8	Ted B. Morton
District No. 3	Peter J. Savage III	District No. 9	Lynne M. Dixon
District No. 4	Kevin R. Hardwick	District No. 10	Joseph C. Lorigo
District No. 5	Thomas A. Loughran	District No. 11	John J. Mills
District No. 6	Edward A. Rath III		

FINANCIAL SECTION

This section contains the following:

- INDEPENDENT AUDITORS' REPORT
- MANAGEMENT’S DISCUSSION AND ANALYSIS
- BASIC FINANCIAL STATEMENTS
- REQUIRED SUPPLEMENTARY INFORMATION
- COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

SEAL OF ERIE COUNTY STATE OF NEW YORK

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

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable County Executive
Honorable County Comptroller
Honorable Members of the County Legislature
County of Erie, New York:

Report on the Financial Statements

We have audited the accompanying 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 and for the year ended December 31, 2017 (with the Erie Community College for the year ended August 31, 2017), and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Erie County Fiscal Stability Authority ("ECFSA"), which represent 5.9% and 3.5% of the assets and revenues, respectively, of the governmental activities. We did not audit the financial statements of the Erie County Industrial Land Development Corporation and Subsidiary ("ILDC"), which represents 7.2% and 5.2% of the assets and revenues, respectively, of the business-type activities. We did not audit the financial statements of Erie County Medical Center Corporation ("ECMCC"), a discretely presented component unit. We did not audit the financial statements of the Erie Community College Foundation, Inc. ("Foundation"), which is shown as an aggregate discretely presented component unit, and represents 64.4% and 39.8% of the assets and revenues, respectively, of the aggregate discretely presented other component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the ECFSA, ILDC, ECMCC, and Foundation, is based solely on the reports of such other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position 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, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Introductory Section, Combining and Individual Fund Financial Statements and Schedules, and Statistical Section, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Fund Financial Statements and Schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the Combining and Individual Fund Financial Statements and Schedules, as listed in the table of contents, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Drescher & Malecki LLP

June 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2017

(unaudited)

This section of the County of Erie, New York's (the "County") comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the year ended December 31, 2017, and incorporates financial information from the year ended December 31, 2016 for comparative analysis purposes. Please read it in conjunction with the County's basic financial statements following this section. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation. **All amounts in this *Management's Discussion and Analysis*, unless otherwise indicated, are expressed in thousands of dollars.**

FINANCIAL HIGHLIGHTS

- The primary government's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the 2017 fiscal year by $99,353. This consists of $84,263 restricted for specific purposes (restricted net position), $488,544 net investment in capital assets and unrestricted net position of $(672,160) at December 31, 2017.

- As a result of current year activity, the primary government's total net position decreased by $28,333. Governmental activities decreased the County's net position by $29,413 and business-type activities decreased the County's net position by $1,080.

- As of December 31, 2017, the County's governmental funds reported combined fund balances of $358,084, an increase of $48,464 in comparison to the prior year. Approximately 28.4% of the total combined governmental funds fund balance, $101,495 is available to meet the County's current and future needs *(unassigned fund balance).*

- At the end of the fiscal year, unassigned fund balance for the General Fund was $101,939, or 73.5%, of the total General Fund fund balance of $138,776. Nonspendable, restricted and assigned General Fund fund balance totaled $36,837 at December 31, 2017.

- The total bonded debt of the primary government increased by $100,217, or 11.6%, during the 2017 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, other supplementary information is included.

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents financial information on all County assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges *(business-type activities).* The governmental activities of the County include general government, public safety, health, transportation, economic assistance and opportunity, culture and recreation, education, and home and community service.

The business-type activities of the County include Erie Community College ("College"), the Buffalo and Erie County Industrial Land Development Corporation ("ILDC") and the Utilities Aggregation Fund. A fiscal year ending August 31 is mandated by New York State law for the College. Accordingly, financial information for the College is presented as of and for the fiscal year then ended.

On July 12, 2005, the Governor of the State of New York signed legislation creating the Erie County Fiscal Stability Authority ("ECFSA"). The ECFSA began its work during 2005 in an advisory role and provides the County with financial oversight while giving local leaders the ability to improve the County's fiscal condition without further State intervention. The ECFSA is included within governmental activities in the government-wide financial statements.

The government-wide financial statements include not only the County itself (i.e., *the primary government*) but also the legally separate Buffalo and Erie County Public Library (the "Library"), Erie County Medical Center Corporation (the "ECMCC") and other component units. Financial information for these *discretely presented component units* of the County is reported separately from the financial information presented for the primary government itself. The Library does not issue separate financial statements.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All funds of the County are divided into three categories: *governmental funds, proprietary funds,* and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows* and *outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The County maintains fourteen (14) individual governmental funds. Additionally, the County reports the activities of its *blended component units* within its governmental funds. Information is presented separately in the governmental funds' Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, General Fund of the ECFSA blended component unit (reported as a major special revenue fund) and the Debt Service Fund of the ECFSA blended component unit (reported as a major fund). Data from the other governmental funds and blended component units are combined into a single, aggregated presentation.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund.

Proprietary funds - The County maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the College, ILDC and the Utilities Aggregation Fund, which is used to account for the bulk purchase and resale of gas, oil, and electric utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The College is considered to be a major proprietary fund of the County.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County has one fiduciary fund, the Agency Fund, which is used to account for funds held by the County as agent for employee withholdings, guarantee and bid deposits, court funds, monies due to other governments, and other miscellaneous items.

Notes to the Financial Statements – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide other post-employment benefits to its employees and the County's net pension liability/(asset). Required supplementary information can be found immediately following the notes to the financial statements.

The Combining and Individual Fund Financial Statements provide combining statements for nonmajor governmental funds; comparisons of budgetary and actual data for certain special revenue funds and debt service fund; statement of changes in assets and liabilities for the agency fund; fund financial statements for the discretely presented Library component unit; and combining statements for other component units. They are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the County's primary government, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $99,353 at the close of the most recent fiscal year.

Summary Statement of Net Position as of December 31, 2017 and 2016

	PRIMARY GOVERNMENT					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016 as restated	2017	2016 as restated
Current and other assets	$ 842,216	$ 682,624	$ 44,454	$ 43,405	$ 886,670	$ 725,809
Noncurrent and capital assets	845,998	861,898	44,070	46,244	890,068	906,090
Total assets	1,688,214	1,544,522	88,524	89,649	1,776,738	1,631,899
Total deferred outflows of resources	104,297	183,407	15,862	16,041	120,159	199,448
Current and other liabilities	264,485	256,416	17,172	18,386	281,657	274,797
Long-term liabilities	1,594,047	1,504,642	100,913	98,736	1,694,960	1,603,378
Total liabilities	1,858,532	1,761,058	118,085	117,122	1,976,617	1,878,175
Total deferred inflows of resources	17,454	20,933	2,179	5,551	19,633	26,484
Net position:						
Net investment in capital assets	451,024	455,145	37,520	34,848	488,544	487,954
Restricted	84,055	64,928	208	210	84,263	64,928
Unrestricted	(618,554)	(574,135)	(53,606)	(52,041)	(672,160)	(626,194)
Total net position	**$ (83,475)**	**$ (54,062)**	**$ (15,878)**	**$ (16,983)**	**$ (99,353)**	**$ (73,312)**

A significant portion of the County's net position at December 31, 2017, $488,544, reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding and any unspent proceeds from bond issues. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, $84,263, represents resources that are subject to external restrictions on how they may be used.

The remaining component of the County's net position, $(672,160), represents *unrestricted net position* which reflects all liabilities that are not related to the County's capital assets and which are not expected to be repaid from restricted resources. Long-term liabilities are typically funded annually in the funds with revenues of that year. The combined total of (1) Erie Tobacco Asset Securitization Corporation ("ETASC", a blended component unit of the County) bonds net of discount, ($338,649), issued to be paid back with future tobacco proceeds which are anticipated to be received annually over the next forty-two (42) years, and (2) the long-term liability associated with other post-employment benefits ("OPEB") ($541,358), is greater than this deficit. As the revenue recognition criteria for the future funding of these liabilities has not been met, no assets have been recorded to offset these liabilities.

At the end of the current fiscal year, the County is able to report positive balances in two of the three categories of net position for the County as a whole, and in one category for its business-type activities. Governmental and business-type activities have an unrestricted net position of $(618,554) and $(53,606), respectively, at December 31, 2017.

The following table indicates the changes in net position for governmental and business-type activities for the current and prior fiscal years:

Summary of Changes in Net Position for the Years Ended December 31, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 95,229	$ 82,873	$ 52,807	$ 50,513	$ 148,036	$ 133,386
Operating grants and contributions	396,823	403,575	15,457	9,982	412,280	413,557
Capital grants and contributions	23,807	9,177	-	-	23,807	9,177
General revenues:						
Property taxes	290,884	283,647	-	-	290,884	283,647
Sales and use taxes	779,855	756,591	-	-	779,855	756,591
Transfer and other taxes	13,167	14,054	-	-	13,167	14,054
Federal, state and local appropriations	-	-	65,797	68,345	65,797	68,345
Unrestricted interest earnings	1,373	694	71	31	1,444	725
Miscellaneous and other	27,799	21,293	-	-	27,799	21,293
Total revenues	**1,628,937**	**1,571,904**	**134,132**	**128,871**	**1,763,069**	**1,700,775**
Expenses:						
General government	444,172	432,365	-	-	444,172	432,365
Public safety	179,735	183,969	-	-	179,735	183,969
Health	97,574	86,713	-	-	97,574	86,713
Transportation	101,601	82,061	-	-	101,601	82,061
Economic assistance and opportunity	629,158	620,669	-	-	629,158	620,669
Culture and recreation	22,674	20,002	-	-	22,674	20,002
Education	69,060	72,784	-	-	69,060	72,784
Home and community service	62,452	59,475	-	-	62,452	59,475
Interest and fiscal charges	33,870	45,001	-	-	33,870	45,001
College	-	-	134,468	138,975	134,468	138,975
ILDC	-	-	524	475	524	475
Purchase and resale of utilities	-	-	16,114	15,105	16,114	15,105
Total expenses	**1,640,296**	**1,603,039**	**151,106**	**154,555**	**1,791,402**	**1,757,594**
Excess (deficiency) before transfers	(11,359)	(31,135)	(16,974)	(25,684)	(28,333)	(56,819)
Transfers	(18,054)	(18,054)	18,054	18,054	-	-
Change in net position	**(29,413)**	**(49,189)**	**1,080**	**(7,630)**	**(28,333)**	**(56,819)**
Net position - beginning of year	**(54,062)**	**(4,873)**	**(16,983)**	**(11,392)**	**(71,045)**	**(16,265)**
Restatement	**-**	**-**	**25**	**2,039**	**25**	**2,039**
Net position - ending	**$ (83,475)**	**$ (54,062)**	**$ (15,878)**	**$ (16,983)**	**$ (99,353)**	**$ (71,045)**

Governmental Activities

During the year ended December 31, 2017, governmental activities decreased the County's net position by $29,413. Revenues and expenses increased by $57,033 (3.6%) and $37,257 (2.3%) respectively, from 2016 to 2017. Key elements of these increases are as follows:

- Charges for services increased $12,356 (14.9%) which was mainly due to increased sewer user charges ($8,904) and increased refunds from prior year's expense ($2,954).
- Capital grants and contributions increased $14,630 (159.4%) during the year mainly as a result of state and federal aid increases for various College ($6,469) and road and bridge ($3,658) projects.
- The $23,264 (3.1%) increase in the sales and use taxes category was primarily the result of modest growth in taxable sales.
- General government expenses increased by $11,807 (2.7%) primarily due to an increase in the distribution of sales tax to other municipalities ($9,408) along with an increase in OPEB expense ($942).
- Health expenses increased $10,861 (12.5%) primarily due to increase in contractual mental health services ($8,969) along with an increase in OPEB expense ($738).
- Transportation expenses increased $19,540 (23.8%) primarily due to an increase in repairs and maintenance ($12,267), increase in equipment ($1,422) and increased depreciation expense ($862).

Business-type Activities

Business-type activities increased the County's net position by $1,080 in the 2017 fiscal year compared to a decrease of $7,630 in 2016. The College generated a decrease in net position of $5,363 and a decrease of $4,798 (restated) for the years ended August 31, 2017 and 2016, respectively. The College's operating loss at August 31, 2017 was less than the operating loss at August 31, 2016 by $5,060, as operating revenues generated increased $585 and operating expenses decreased $4,476. Revenues generated during the fiscal year ended August 31, 2017 increased primarily as a result of increases in non-credit enrollment resulting in net student tuition and fees. The decrease in expenses is primarily attributable to the savings recognized in salaries, scholarships, supplies and services. The County sponsorship share of support to the College for the College's fiscal year ended August 31, 2017 was $18,054, and is reported as a 2017 operating transfer to the College from the County's General ($16,254) and Special Capital ($1,800) Funds. The ILDC generated an increase in net position of $6,480 and a decrease of $30 for the years ended December 31, 2017 and 2016, respectively. The large increase was due to an increase in grant revenue of $6,520.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Projects Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund balance*, which is available to meet the County's current and future operational needs, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At December 31, 2017, the County's governmental funds reported combined fund balances of $358,084, which is an increase of $48,464 in comparison with the prior year.

Nonspendable fund balance totaling $12,251 consists of prepaid items. Nonspendable amounts represent net current financial resources that are either not in in spendable form or legally or contractually required to be maintained intact.

Restricted fund balance in the amount of $173,426 is constrained to specific purposes and consists of $162 for education, advocacy and increased public awareness of handicapped parking laws, $30,007 for community development loans, $45,060 for the future repayment of bonded debt service and $98,197 to fund capital projects and the purchase of capital assets.

Assigned fund balance includes amounts intended to be used for a specific purpose that are subject to a purpose constraint imposed by a formal action of the Erie County Legislature. Significant assignments by the County at December 31, 2017 include $22,228 to meet expenditure requirements in the 2018 fiscal year, $1,500 for future settlements of various claims and litigation, $15,246 for approved supplemental appropriations in the 2018 fiscal year, $6,884 to fund year-end encumbrances, $2,372 to cover the cost of road repairs and $22,272 that represents the positive residual balances of the County's Special Revenue Funds that have not been classified as nonspendable, restricted or assigned for another purpose.

Approximately 28.4% of the County's total fund balances consists of *unassigned fund balance* ($101,495). Deficit unassigned fund balance amounts in the Grants and the Community Development Special Revenue Funds amounting to $413 are caused by nonspendable fund balance amounts recorded for prepaid items.

Following is a discussion of the significant balances and operations of the major and selected nonmajor funds.

- **General Fund –** The General Fund is the chief operating fund of the County. At December 31, 2017, unassigned fund balance of the General Fund was $101,939, while total fund balance was $138,776. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 7.6% of total expenditures (excluding other financing uses), while total fund balance represents 10.4% of that same amount. Fund balance in the County's General Fund increased by $18,664 during the 2017 fiscal year compared to during the 2016 fiscal year, when the General Fund experienced a decrease of $9,388.

- **ECFSA General Fund** – This fund is the chief operating fund of the ECFSA and is reported as a special revenue fund of the County. Total fund balance at the end of the current fiscal year was $420, an increase of $137 from the 2016 amount, and is classified as nonspendable for prepaid items ($9) and assigned fund balance ($411) in the County's fund financial statements.

- **ECFSA Debt Service Fund –** At year-end, the ECFSA held County cash in the amount of $46,805 that was accumulated by intercepting and withholding the County's sales tax receipts from New York State. These monies will be used for future debt service payments.

- **Road Special Revenue Fund –** Ending fund balance decreased by $2,166 compared to a $1,553 increase during 2016. Total expenditures increased by $86. Total revenues decreased by $741 which is primarily due to a decrease in transfer taxes collected from real property tax sales ($914). Net transfers also decreased by $2,892.

- **Sewer Special Revenue Fund –** Total fund balance at the end of the current fiscal year was $40,807, an increase of $1,359 from the 2016 amount. Revenues increased by $1,354 primarily from an increase in user charges ($8,954) offset by a decrease from real property taxes ($8,040).

- **Capital Projects Funds –** The County reports five (5) capital projects funds which account for the construction and re-construction of general public improvements. At the end of the 2017 fiscal year, the total fund balances restricted for future capital projects amounted to $98,197, of which $27,910 was encumbered for contracted projects underway.

During 2017, the County's capital outlay decreased in the General Government Buildings, Equipment and Improvements Fund ($7,989), the Highways, Roads, Bridges and Equipment Fund ($35) and the Sewers, Facilities, Equipment and Improvements Fund ($12,140), and increased in the Special Capital Projects Fund ($14,220). The County issued non-interest bearing bond anticipation notes ($1,591) that was purchased by the New York State Environment Facilities Corporation. In November of 2017 the short-term BANS were converted to long-term bonds.

Proprietary funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. The College had an unrestricted net position of $(61,599) at August 31, 2017, while ILDC had unrestricted net position of $6,525 at December 31, 2017.

The following table shows actual revenues, expenses, and results of operations for the current and prior fiscal years:

Summary of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
For the Year Ended December 31, 2017 and 2016

	Major Fund College (August 31,)		Major Fund ILDC		Nonmajor Fund Utilities Aggregation		Total	
	2017	2016 (as restated)	2017 (as restated)	2016	2017	2016	2017 (as restated)	2016 (as restated)
Operating revenues	$ 44,292	$ 43,708	$ 484	$ 445	$ 16,077	$ 14,342	$ 60,853	$ 58,495
Operating expenses	134,406	136,843	524	475	16,114	15,105	151,044	152,423
Operating (loss) income	(90,114)	(93,136)	(40)	(30)	(37)	(763)	(90,191)	(93,929)
Non-operating revenues, net .	66,697	70,283	6,520	-	-	-	73,217	70,283
Net (loss) income before contributions and transfers .	(23,417)	(22,852)	6,480	(30)	(37)	(763)	(16,974)	(23,645)
Transfers	18,054	18,054	-	-	-	-	18,054	18,054
Change in net position	**$ (5,363)**	**$ (4,798)**	**$ 6,480**	**$ (30)**	**$ (37)**	**$ (763)**	**$ 1,080**	**$ (5,591)**

The net loss before contributions and transfers of enterprise funds during 2017 of $16,974 is comprised of a net loss of $23,417 for the College, a gain of $6,480 for ILDC and a net loss of $37 for the Utilities Aggregation Fund.

The College reported a total deficit net position of $24,079 at August 31, 2017. The College's net position has decreased significantly over the past ten fiscal years as a result of the adoption in 2007 of Governmental Accounting Standards Board ("GASB") Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The ILDC reported net position of $6,733 at December 31, 2017.

Other factors concerning the activities of these funds have been addressed in the previous discussion of the County's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

An annual appropriated budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles, except that encumbrances are reported as budgeted expenditures in the year of incurrence of commitment to purchase.

During the 2017 fiscal year there was a $415,553 decrease in total budgeted revenues between the original and final budget. The main component of the net decrease is the reclassification of $439,840 from the 'Sales and use taxes' line to the 'Transfers in' line to match sales tax transfers received from the ECFSA which intercepts the County portion of sales tax remitted by the New York State Department of Taxation and Finance. Major increases were in the miscellaneous category ($13,586), including a local source – ECMCC adjustment ($12,780), and in the intergovernmental category ($3,869) for mental health ($1,174) and social services ($1,880).

The budget for other financing sources was increased during the year by $439,440, primarily for the sales and use taxes reclassification referred to in the previous paragraph.

Budgeted appropriations and other financing uses increased by $28,848. Budgeted expenditures increased in general government support ($7,114), primarily for claims and judgments ($1,200), for a foreclosure sale ($2,000) and Department of Information and Support Services utility expenditures ($239); health ($2,916), primarily for professional health services ($500) and for various mental health programs ($1,503); and, economic assistance ($19,043), primarily due to an increase in DSH Expense ($25,769).

For the year, actual revenues fell short of budget by $12,568. This was mainly due to negative budgetary variances in the intergovernmental category of $27,944, mainly due to lower than expected claims for various social services programs ($22,599) and the persons with special needs program ($1,501), mental health programs ($360) and facility incentive aid ($271). Sales and

use taxes exceeded budget by $2,373 as actual taxable sales exceeded projections ($2,371), Miscellaneous revenues exceeded budget by $8,441 primarily as a result of local source ECMCC revenue ($4,260), unanticipated prior year revenue ($2,328), various refunds of prior year expenditures for various social services programs ($1,164) and a higher than anticipated premium on the issuance of a revenue anticipation note ($782).
Actual expenditures were less than budget by $42,558 primarily due to savings in various categories as follows: general government support ($6,739), mainly due to less than anticipated payroll costs ($1,830) and fringe benefits ($1,659) in various departments, lower than expected spending for foreclosure auctions ($1,195) and maintenance contracts ($713), and savings in various department's professional service contracts and fees accounts ($779); public safety ($10,579), mostly for fringe benefits ($1,315) and professional service contracts and fees ($381) in various departments, and interdepartmental billings from other functions ($832); economic assistance and opportunity ($24,080), primarily related to a savings in DSH Expense ($11,280), DSS child care ($7,153) and interdepartmental billings from other functions ($1,392); and education ($3,515), chiefly for a children with special needs program ($3,304).

The County experienced a positive variance in other financing uses ($3,039), as transfers to the Road ($2,600), Grant ($264) and Debt Service funds were less than anticipated.

The total budget to actual variance for the year amounted to a positive $29,990.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounted to $883,518 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and improvements, improvements other than buildings, equipment, College library collections, and construction in progress. The total decrease in the County's investment in capital assets for the current period was 1.6%.

The County's infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide financial statements as required by GASB. The County has elected to depreciate infrastructure assets.

Major capital asset events during the current fiscal year included an increase to the sewer and transportation networks of $24,301 and $27,820 respectively. Construction in progress decreased by $23,831.

Capital assets net of depreciation for the governmental and business-type activities are presented below:

Summary of Capital Assets at December 31, 2017 and 2016
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016 (restated)	2017	2016
Land	$ 34,864	$ 34,536	$ -	$ -	$ 34,864	$ 34,536
Buildings and improvements	257,288	270,998	29,785	26,036	287,073	297,034
Improvements other than buildings	14,453	9,522	24	27	14,477	9,549
Sewer and transportation networks	450,671	431,598	-	-	450,671	431,598
Machinery and equipment	12,235	14,926	5,183	5,709	17,418	20,635
Library collections	-	-	1,097	1,105	1,097	1,105
Construction in progress	76,487	100,318	1,431	3,448	77,918	103,766
Total	**$ 845,998**	**$ 861,898**	**$ 37,520**	**$ 36,325**	**$ 883,518**	**$ 898,223**

Additional information on the County's capital assets can be found in Note I(G)(4) and Note VII of this report.

Debt Administration

At December 31, 2017, the primary government had total bonded debt outstanding of $964,131, as compared to $863,914 in the prior year. During the year, payments and other reductions of bonded debt amounted to $156,591, while additions and accretions amounted to $256,808. The issuance of long-term debt is a direct function of the County and is reported within the governmental activities columns in the government-wide financial statements.

Summary of Long-term Bonded Debt Outstanding at December 31, 2017 and 2016

	Governmental Activities	
	2017	**2016**
Erie County bonds	$ 407,789	$ 417,738
Less: ECFSA mirror bonds	(230,930)	(231,750)
Net Erie County bonds	**176,859**	**185,988**
ECFSA bonds	383,830	300,145
ETASC tobacco settlement bonds	349,448	344,052
Unamortized bond discounts - ETASC	(10,799)	(10,893)
Unamortized bond premiums	64,793	44,622
Total primary government long-term bonded debt outstanding	**$ 964,131**	**$ 863,914**

Tobacco settlement bonds are payable only from the assets of ETASC and are not legal obligations of the County.

New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year valuation. The current debt-limitation for the County is $3,517,372, which is only 13.84% exhausted by the County's outstanding general obligation and sewer debt of $486,699 (which includes a $78,910 bond guaranty to ECMCC).

The County's current bond ratings are as follows: Standard & Poor's at AA- (stable outlook), Moody's at A2 (stable outlook) and Fitch Ratings at A+ (stable outlook).

Additional information on the County's long-term debt can be found in Note XIII of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Erie County Office of the Comptroller, 95 Franklin Street, Room 1100, Buffalo, New York 14202.

SEAL OF ERIE COUNTY
STATE OF NEW YORK

BASIC FINANCIAL STATEMENTS

These basic financial statements include the financial statements and related notes of the reporting entity that are essential to fair presentation of financial position and results of operations. The reporting entity includes the primary government and its discretely presented component units.

Statement of Net Position

December 31, 2017

(dollars in thousands)

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	$ 103,732	$ 39,196	**$ 142,928**
Investments	19,669	-	**19,669**
Restricted cash and cash equivalents	138,244	-	**138,244**
Restricted Investments	8,234	-	**8,234**
Receivables (net of allowances)	369,388	3,958	**373,346**
Due from primary government	-	-	**-**
Due from component unit	180,106	10,934	**191,040**
Internal balances	10,590	(10,049)	**541**
Inventories	-	-	**-**
Prepaid items	12,253	415	**12,668**
Noncurrent net pension asset	-		**-**
Noncurrent other assets	-	19	**19**
Land held for sale	-	6,531	**6,531**
Capital assets:			
Land, rare books and construction in progress	111,351	1,431	**112,782**
Other capital assets, net of depreciation	734,647	36,089	**770,736**
Total assets	**1,688,214**	**88,524**	**1,776,738**
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	20,432	-	**20,432**
Deferred outflows relating to pensions	74,891	15,862	**90,753**
Deferred outflow on forward purchase agreement swap	8,974	-	**8,974**
Other	-	-	**-**
Total deferred outflows of resources	**104,297**	**15,862**	**120,159**
LIABILITIES:			
Accounts payable	63,085	3,417	**66,502**
Accrued liabilities	58,499	5,021	**63,520**
Due to component unit	22,105	-	**22,105**
Due to primary government	-	-	**-**
Unearned revenue	9,571	8,734	**18,305**
Short-term debt	111,225	-	**111,225**
Long-term liabilities:			
Due within one year	81,253	3,809	**85,062**
Due in more than one year	1,512,794	97,104	**1,609,898**
Total liabilities	**1,858,532**	**118,085**	**1,976,617**
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows relating to pensions	17,454	2,179	**19,633**
NET POSITION:			
Net investment in capital assets	451,024	37,520	**488,544**
Restricted for:			
Community development loans	30,007	-	**30,007**
Capital projects	24,184	-	**24,184**
Debt service	29,702	-	**29,702**
Other purposes	162	208	**370**
Unrestricted	(618,554)	(53,606)	**(672,160)**
Total net position	**$ (83,475)**	**$ (15,878)**	**$ (99,353)**

See accompanying notes to the financial statements.

COMPONENT UNITS		
Library	**ECMCC**	**Other**
$ 9,167	$ 25,415	$ 2,121
-	43,729	4,551
-	256,641	-
-	-	-
574	161,258	168
-	22,105	-
-	-	-
-	-	-
-	-	34
847	19,717	11
-	-	-
-	13,956	678
-	-	-
11,497	8,467	-
5,891	239,735	270
27,976	**791,023**	**7,833**
-	-	-
3,785	67,731	-
-	-	-
-	19,350	-
3,785	**87,081**	**-**
355	43,215	39
349	69,111	905
-	-	-
-	191,040	-
768	41,619	27
-	-	-
768	6,212	-
35,682	362,553	-
37,922	**713,750**	**971**
883	19,617	**-**
17,388	89,103	-
-	-	-
-	-	-
-	-	-
-	53,185	3,455
(27,334)	2,449	3,407
$ (7,044)	**$ 144,737**	**$ 6,862**

Statement of Activities

For the year ended December 31, 2017

(dollars in thousands)

		PROGRAM REVENUES		
Functions / Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
General government	$ 444,172	$ 30,649	$ 25,731	$ 1,492
Public safety	179,735	5,002	3,470	-
Health	97,574	2,597	59,607	-
Transportation	101,601	-	10,526	6,401
Economic assistance and opportunity	629,158	25,636	242,805	136
Culture and recreation	22,674	1,453	2,883	5,881
Education	69,060	95	36,170	8,920
Home and community service	62,452	29,797	4,429	977
Interest and fiscal charges	33,870	-	11,202	-
Total governmental activities	**1,640,296**	**95,229**	**396,823**	**23,807**
Business-type activities:				
College (August 31, 2017)	134,468	36,246	8,937	-
ILDC	524	484	6,520	-
Utilities aggregation	16,114	16,077	-	-
Total business-type activities	**151,106**	**52,807**	**15,457**	**-**
Total primary government	**$ 1,791,402**	**$ 148,036**	**$ 412,280**	**$ 23,807**
Component units:				
Library	$ 31,528	$ 741	$ 3,157	$ -
ECMCC	647,316	620,087	35,462	-
Other component units	3,431	2,329	1,064	-
Total component units	**$ 682,275**	**$ 623,157**	**$ 39,683**	**$ -**

General revenues:

Property taxes levied for mall, sewer, and general purposes

Property taxes levied for library

Sales and use taxes

Transfer and other taxes

Unrestricted state and local appropriations

Federal and state student financial aid

Interest earnings not restricted to specific programs

Unrestricted interest earnings

Miscellaneous

Gain on sale of capital assets

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

See accompanying notes to the financial statements.

NET (EXPENSE) REVENUE and CHANGES IN NET POSITION					
PRIMARY GOVERNMENT			COMPONENT UNITS		
Governmental Activities	Business-type Activities	Total	Library	ECMCC	Other
$ (386,300)	$ -	$ (386,300)	$ -	$ -	$ -
(171,263)	-	(171,263)	-	-	-
(35,370)	-	(35,370)	-	-	-
(84,674)	-	(84,674)	-	-	-
(360,581)	-	(360,581)	-	-	-
(12,457)	-	(12,457)	-	-	-
(23,875)	-	(23,875)	-	-	-
(27,249)	-	(27,249)	-	-	-
(22,668)	-	(22,668)	-	-	-
(1,124,437)	-	(1,124,437)	-	-	-
-	(89,285)	(89,285)	-	-	-
-	6,480	6,480	-	-	-
-	(37)	(37)	-	-	-
-	(82,842)	(82,842)	-	-	-
(1,124,437)	(82,842)	(1,207,279)	-	-	-
			(27,630)	-	-
			-	8,233	-
			-	-	(38)
			(27,630)	8,233	(38)
290,884	-	290,884	-	-	-
-	-	-	23,944	-	-
779,855	-	779,855	-	-	-
13,167	-	13,167	-	-	-
-	32,098	32,098	-	-	-
-	33,699	33,699	-	-	-
-	-	-	3	1,860	-
1,373	71	1,444	-	-	-
27,525	-	27,525	133	130	-
274	-	274	-	-	-
1,113,078	65,868	1,178,946	24,080	1,990	-
(18,054)	18,054	-	-	-	-
1,095,024	83,922	1,178,946	24,080	1,990	-
(29,413)	1,080	(28,333)	(3,550)	10,223	(38)
(54,062)	(16,958)	(71,020)	(3,494)	134,514	6,900
$ (83,475)	$ (15,878)	$ (99,353)	$ (7,044)	$ 144,737	$ 6,862

Balance Sheet

Governmental Funds

December 31, 2017

(dollars in thousands)

	General	ECFSA General	ECFSA Debt Service	Total Nonmajor Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	$ 53,816	$ 462	$ -	$ 49,454	**$ 103,732**
Investments	-	-	-	19,669	**19,669**
Restricted cash and cash equivalents	162	478	38,571	99,033	**138,244**
Restricted investments	-	-	8,234	-	**8,234**
Receivables (net of allowances)					
Real property taxes, interest, penalties and liens	80,577	-	-	34	**80,611**
Other	9,553	-	-	31,542	**41,095**
Due from other funds	103,937	-	-	55,263	**159,200**
Due from component unit	-	-	-	185	**185**
Due from other governments	146,542	52,296	-	34,389	**233,227**
Prepaid items	8,603	9	-	3,639	**12,251**
Total assets	**$ 403,190**	**$ 53,245**	**$ 46,805**	**$ 293,208**	**$ 796,448**
LIABILITIES:					
Accounts payable	$ 19,727	$ -	$ -	$ 15,106	**$ 34,833**
Accrued liabilities	42,010	41	32	4,024	**46,107**
Due to other funds	905	52,774	46,804	48,125	**148,608**
Due to component unit	2,105	-	-	-	**2,105**
Due to other governments	25,993	-	-	124	**26,117**
Retained percentages payable	-	-	-	2,135	**2,135**
Unearned revenue	4,786	10	-	4,775	**9,571**
Short-term debt	111,225	-	-	-	**111,225**
Total liabilities	**206,751**	**52,825**	**46,836**	**74,289**	**380,701**
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue – property taxes	57,663	-	-	-	**57,663**
FUND BALANCES:					
Nonspendable:					
Prepaid items	8,603	9	-	3,639	**12,251**
Restricted for:					
Handicapped parking	162	-	-	-	**162**
Community development loans	-	-	-	30,007	**30,007**
Debt service	-	-	-	45,060	**45,060**
Capital expenditures	-	-	-	98,197	**98,197**
Assigned:					
Subsequent year's expenditures	10,226	-	-	12,002	**22,228**
Judgments and claims	1,500	-	-	-	**1,500**
Other purposes	16,346	411	-	30,427	**47,184**
Unassigned	101,939	-	(31)	(413)	**101,495**
Total fund balances	**138,776**	**420**	**(31)**	**218,919**	**358,084**
Total liabilities, deferred inflows of resources and fund balances	**$ 403,190**	**$ 53,245**	**$ 46,805**	**$ 293,208**	**$ 796,448**

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet

Governmental Funds to the Government-wide Statement of Net Position
December 31, 2017
(dollars in thousands)

		Governmental Activities
Total fund balances - governmental funds (page 18)	**$**	**358,084**
Amounts reported for governmental activities in the statement of net position (page 14) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		845,998
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds		14,455
Certain property tax revenues are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		57,663
ECFSA interest receivable is reported when earned in the government-wide financial statements, but in the fund financial statements income is reported only if it will be received within sixty days of year-end.		2,966
Due from a component unit was deemed to be not due and payable in the current period and, therefore, not reported in the funds.		179,921
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to employer contributions		25,618
Deferred outflows related to experience, changes of assumptions, investment earnings and changes in proportion		49,273
Deferred inflows relating to pension plans		(17,454)
Certain deferred outflows of resources represent a consumption of net position in a future period and, therefore, are not reported in the funds.		
Unamortized deferred amounts on refundings		3,923
Unamortized deferred amounts on refundings - ETASC		16,509
Certain current liabilities and long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued bond interest		(14,358)
Accrued bond interest - ETASC		(1,000)
Compensated absences		(22,663)
Judgments and claims		(54,180)
Other post-employment benefits (OPEB)		(457,744)
Net pension liability		(86,355)
Due to component unit		(20,000)
Unamortized bond premiums		(64,793)
Unamortized bond discounts - ETASC		10,799
Bonds payable		(560,689)
Bonds payable - ETASC		(349,448)
Net position of governmental activities	**$**	**(83,475)**

See accompanying notes to the financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended December 31, 2017

(dollars in thousands)

	General	ECFSA General	ECFSA Debt Service	Total Nonmajor Funds	Total Governmental Funds
REVENUES:					
Real property taxes and tax items	$ 265,014	$ -	$ -	$ 26,135	**$ 291,149**
Sales and use taxes	336,534	439,840	-	3,481	**779,855**
Transfer and other taxes	31	-	-	13,136	**13,167**
Intergovernmental	328,856	-	-	80,715	**409,571**
Interfund revenues	209	-	-	90	**299**
Departmental	64,360	-	-	31,866	**96,226**
Interest	1,208	165	-	10,822	**12,195**
Miscellaneous	24,444	-	-	3,697	**28,141**
Total revenues	**1,020,656**	**440,005**	**-**	**169,942**	**1,630,603**
EXPENDITURES:					
Current:					
General government support	408,871	428	-	9,646	**418,945**
Public safety	142,339	-	-	12,724	**155,063**
Health	77,329	-	-	9,977	**87,306**
Transportation	23,939	-	-	29,233	**53,172**
Economic assistance and opportunity	595,119	-	-	14,380	**609,499**
Culture and recreation	18,411	-	-	-	**18,411**
Education	69,886	-	-	-	**69,886**
Home and community service	3,159	-	-	47,171	**50,330**
Capital outlay	-	-	-	66,081	**66,081**
Debt service:					
Principal retirement	-	-	44,485	13,585	**58,070**
Other - advance refunding escrow	-	-	5,517	-	**5,517**
Interest and fiscal charges	1,010	-	13,510	19,580	**34,100**
Total expenditures	**1,340,063**	**428**	**63,512**	**222,377**	**1,626,380**
Excess (deficiency) of revenues over expenditures	**(319,407)**	**439,577**	**(63,512)**	**(52,435)**	**4,223**
OTHER FINANCING SOURCES (USES):					
Issuance of general obligation debt	-	-	-	15,331	**15,331**
Refunding bonds issued	-	-	62,745	-	**62,745**
Payments to refunded bond escrow agent	-	-	(73,974)	(12,964)	**(86,938)**
Premium on bond issuance	-	-	11,622	7,923	**19,545**
Payment from Erie County- advance loan refunding	-	-	79,491	-	**79,491**
Purchase of loan by Erie County - advance loan refunding	-	-	(73,974)	-	**(73,974)**
Proceeds on bond issuance	-	-	135,780	-	**135,780**
Premium on obligations	-	-	23,984	-	**23,984**
Discount on purchase of mirror bonds	-	-	(6,718)	-	**(6,718)**
Purchase of loan by Erie County	-	-	(92,115)	-	**(92,115)**
Discount on loan to Erie County	-	-	(6,829)	-	**(6,829)**
Sale of property	250	-	-	24	**274**
Transfer to Trustee - debt service reserve	-	-	(8,281)	-	**(8,281)**
Transfers in	440,061	-	56,604	158,216	**654,881**
Transfers out	(102,240)	(439,440)	(44,870)	(86,385)	**(672,935)**
Total other financing sources (uses)	**338,071**	**(439,440)**	**63,465**	**82,145**	**44,241**
Net change in fund balances	**18,664**	**137**	**(47)**	**29,710**	**48,464**
Fund balances - beginning	**120,112**	**283**	**16**	**189,209**	**309,620**
Fund balances - ending	**$ 138,776**	**$ 420**	**$ (31)**	**$ 218,919**	**$ 358,084**

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds to the Government-wide Statement of Activities
For the year ended December 31, 2017
(dollars in thousands)

		Governmental Activities
Net change in fund balances - total governmental funds (page 20)		**$ 48,464**
Amounts reported for governmental activities in the statement of activities (pages 16-17) are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and depreciated. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital outlays	$ 43,064	
Capital assets received from component unit	328	
Depreciation expense	(59,294)	
Net adjustment		(15,902)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
ETASC tobacco revenue	(232)	
Real property taxes	(265)	
Net adjustment		(497)
Revenues of the ECFSA in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		196
Governmental funds report loans to a component unit to be repaid on a long-term basis as expenditures. In the statement of net position, however, the cost of those outlays increases the due from component unit and does not affect the statement of activities. Similarly, repayment of long-term loan principal is a revenue in the governmental funds and thus contributes to the change in fund balance. In the statement of net position, however, repayment of long-term loan principal reduces the amount due from the component unit and does not affect the statement of activities.		
Loan principal retirement		(1,725)
Net differences between pension contributions recognized on the fund financial statements and the government-wide statements are as follows:		
Direct pension contributions.	2,089	
Cost of benefits earned net of employee contributions	(16,045)	
Net adjustment		(13,956)
Bond proceeds are reported as other financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term debt and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the governmental funds and thus contributes to the change in fund balance. In the statement of net position, however, payment of debt reduces the long-term debt liability and does not affect the statement of activities.		
Principal retirement	139,300	
Bonds issued	(15,331)	
Refunding bonds issued	(62,745)	
Payments to advanced refunded bond escrow agent	116,977	
Premium on bond issuance	(179,309)	
Amortization of premium on bonds	15,435	
Principal retirement and amortization of bond discount - ETASC	1,856	
Net adjustment		16,183
Certain activity reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported in the governmental funds.		
Interest on bonds	(5,346)	
Due to component unit	4,000	
Deferred charge on refunding	(1,666)	
Compensated absences	313	
Judgments and claims (long-term change only)	(887)	
Accreted interest - ETASC	(7,346)	
Interest on bonds - ETASC	10	
Deferred charge on refunding - ETASC	(763)	
Other post-employment benefits (OPEB)	(50,491)	
Net adjustment		(62,176)
Change in net position of governmental activities		**$ (29,413)**

See accompanying notes to the financial statements.

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual (Non-GAAP Basis of Accounting)
For the year ended December 31, 2017
(dollars in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget
REVENUES:				
Real property taxes and tax items	$ 265,001	$ 265,001	$ 265,014	$ 13
Sales and use taxes	768,012	334,161	336,534	2,373
Transfer and other taxes	-	-	31	31
Intergovernmental	352,931	356,800	328,856	(27,944)
Interfund Revenues	209	209	209	-
Departmental	58,670	60,676	64,360	3,684
Interest	637	473	1,208	735
Miscellaneous	2,416	16,003	24,444	8,441
Total revenues	**1,447,876**	**1,033,323**	**1,020,656**	**(12,667)**
EXPENDITURES:				
Current:				
General government support	408,915	416,029	409,290	6,739
Public safety	151,807	152,796	142,217	10,579
Health	69,528	72,444	77,634	(5,190)
Transportation	23,570	23,789	23,939	(150)
Economic assistance and opportunity	598,774	617,817	593,737	24,080
Culture and recreation	18,921	18,897	18,411	486
Education	73,188	73,188	69,886	3,302
Home and community service	3,265	2,812	3,139	(327)
Debt service:				
Interest and fiscal charges	1,010	445	445	-
Total expenditures	**1,348,978**	**1,378,217**	**1,338,698**	**39,519**
Excess (deficiency) of revenues over expenditures	**98,898**	**(344,894)**	**(318,042)**	**26,852**
OTHER FINANCING SOURCES (USES):				
Sale of property	151	151	250	99
Transfers in	621	440,061	440,061	-
Transfers out	(105,670)	(105,279)	(102,240)	3,039
Total other financing sources (uses)	**(104,898)**	**334,933**	**338,071**	**3,138**
Net change in fund balances *	**$ (6,000)**	**$ (9,961)**	**$ 20,029**	**$ 29,990**

* The net change in fund balances was included in the budget as an appropriation (i.e., spend down) of fund balance.

See accompanying notes to the financial statements.

Statement of Net Position

Proprietary Funds

December 31, 2017

(dollars in thousands)

	Business-type Activities Enterprise Funds: Major Fund College (August 31, 2017)	Major Fund ILDC	Nonmajor Fund Utilities Aggregation	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 38,950	$ 246	$ -	**$ 39,196**
Receivables (net of allowances)	2,982	362	-	**3,344**
Loans receivable, short-term	-	7	-	**7**
Due from other funds	102	-	859	**961**
Due from component unit	-	-	10,934	**10,934**
Due from other governments	-	-	607	**607**
Prepaid items	412	-	3	**415**
Total current assets	**42,446**	**615**	**12,403**	**55,464**
Noncurrent assets:				
Loans receivable, net	-	19	-	**19**
Land held for sale	-	6,531	-	**6,531**
Capital assets, net of depreciation:				
Construction in progress	1,431	-	-	**1,431**
Other capital assets, net of depreciation	36,089	-	-	**36,089**
Total noncurrent assets	**37,520**	**6,550**	**-**	**44,070**
Total assets	**79,966**	**7,165**	**12,403**	**99,534**
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows relating to pensions	**15,862**	**-**	**-**	**15,862**
LIABILITIES:				
Current liabilities:				
Accounts payable	1,392	17	1,127	**2,536**
Accrued liabilities	4,972	-	49	**5,021**
Due to other funds	2,109	-	8,901	**11,010**
Due to other governments	-	23	858	**881**
Fringe benefits payable	3,809	-	-	**3,809**
Unearned revenue	8,342	392	-	**8,734**
Total current liabilities	**20,624**	**432**	**10,935**	**31,991**
Noncurrent liabilities:				
Fringe benefits payable	4,154	-	-	**4,154**
Net OPEB obligation	83,614	-	-	**83,614**
Net pension liability	9,336	-	-	**9,336**
Total noncurrent liabilities	**97,104**	**-**	**-**	**97,104**
Total liabilities	**117,728**	**432**	**10,935**	**129,095**
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows relating to pensions	**2,179**	**-**	**-**	**2,179**
NET POSITION:				
Net investment in capital assets	37,520	-	-	**37,520**
Restricted	-	208	-	**208**
Unrestricted, reported in:				
College	(61,599)	-	-	**(61,599)**
ILDC	-	6,525		**6,525**
Nonmajor fund	-		1,468	**1,468**
Total net position	**$ (24,079)**	**$ 6,733**	**$ 1,468**	**$ (15,878)**

See accompanying notes to the financial statements.

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the year ended December 31, 2017

(dollars in thousands)

	Business-type Activities Enterprise Funds			
	Major Fund	Major Fund	Nonmajor Fund	
	College (August 31, 2017)	ILDC	Utilities Aggregation	Total
OPERATING REVENUES:				
Student tuition and fees	$ 35,534	$ -	$ -	**$ 35,534**
Intergovernmental revenues and charges	1,454	-	-	**1,454**
Administrative fees	-	483	-	**483**
State and local contracts	6,592	-	-	**6,592**
Interfund revenues	-	-	6,221	**6,221**
Other operating revenue	712	1	9,856	**10,569**
Total operating revenues	**44,292**	**484**	**16,077**	**60,853**
OPERATING EXPENSES:				
Employee wages	58,893	-	86	**58,979**
Employee benefits	38,810	-	43	**38,853**
Scholarships	13,092	-	-	**13,092**
Supplies, services and general	17,241	18	-	**17,259**
Transfer to Erie County Industrial Development Agency	-	506	-	**506**
Utilities and telephone	1,724	-	15,985	**17,709**
Depreciation	4,646	-	-	**4,646**
Total operating expenses	**134,406**	**524**	**16,114**	**151,044**
Operating (loss) income	**(90,114)**	**(40)**	**(37)**	**(90,191)**
NONOPERATING REVENUES (EXPENSES):				
Unrestricted state and local appropriations	32,098	-	-	**32,098**
Federal and state student financial aid	33,699	-	-	**33,699**
Retirement incentive	891	-	-	**891**
Income from investments	71	-	-	**71**
Loss on disposal of plant assets	(29)	-	-	**(29)**
Interest expense	(33)	-	-	**(33)**
Grant Income		6,520	-	**6,520**
Total nonoperating revenues (expenses)	**66,697**	**6,520**	**-**	**73,217**
(Loss) gain before transfers	**(23,417)**	**6,480**	**(37)**	**(16,974)**
Transfers in	18,054	-	-	**18,054**
Change in net position	**(5,363)**	**6,480**	**(37)**	**1,080**
Total net position - beginning, as restated	**(18,716)**	**253**	**1,505**	**(16,958)**
Total net position - ending	**$ (24,079)**	**$ 6,733**	**$ 1,468**	**$ (15,878)**

See accompanying notes to the financial statements.

Statement of Cash Flows

Proprietary Funds

For the year ended December 31, 2017

(dollars in thousands)

	Business-type Activities Enterprise Funds			
	Major Fund	Major Fund	Nonmajor Fund	
	College (August 31, 2017)	ILDC	Utilities Aggregation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from students and utility customers	$ 34,381	$ -	$ 5,134	**$ 39,515**
Payments to employees for services	(87,151)	-	(132)	**(87,283)**
Payments to suppliers for goods and services	(20,757)	(7)	(16,641)	**(37,405)**
Payments for scholarships	(13,092)	-	-	**(13,092)**
Federal, state and local grants	9,767	-	-	**9,767**
Administrative and application fees	-	484	-	**484**
Transfer to Erie County Industrial Development Agency	-	(506)	-	**(506)**
Internal activity - payments from other funds	-	-	11,639	**11,639**
Other operating revenues	1,148	11	-	**1,159**
Loans awarded	-	(17)	-	**(17)**
Net cash used for operating activities	**(75,704)**	**(35)**	**-**	**(75,739)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
County contribution	18,945	-	-	**18,945**
State appropriations	42,128	-	-	**42,128**
Municipal chargebacks	1,666	-	-	**1,666**
Federal and state student financial aid grants	22,260	-	-	**22,260**
Net cash provided by non-capital financing activities	**84,999**	**-**	**-**	**84,999**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(7,347)	-	-	**(7,347)**
Grant income	-	6,549	-	**6,549**
Acquisition of land held for sale	-	(6,483)	-	**(6,483)**
Net cash used for capital and related financing activities	**(7,347)**	**66**	**-**	**(7,281)**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest, dividends, and realized gains on investments	71	-	-	**71**
Net decrease in cash	**2,019**	**31**	**-**	**2,050**
Cash, beginning of year	**36,931**	**215**	**-**	**37,146**
Cash, end of year	**$ 38,950**	**$ 246**	**$ -**	**$ 39,196**

See accompanying notes to the financial statements.

Statement of Cash Flows

Proprietary Funds

For the year ended December 31, 2017

(dollars in thousands)

	Business-type Activities Enterprise Funds			
	Major Fund	Major Fund	Nonmajor Fund	
	College (August 31, 2017)	ILDC	Utilities Aggregation	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:				
Operating loss	$ (90,114)	$ (40)	$ (37)	**$ (90,191)**
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation expense	4,646	-	-	**4,646**
Decrease (increase) in assets:				
Receivables, net	1,627	-	33	**1,660**
Pension asset, net.	9,873	-	-	**9,873**
Prepaid items	(412)	-	-	**(412)**
Deferred outflows relating to pension	179	-	-	**179**
Loan receivable	-	(8)	-	**(8)**
Due from other funds	-	-	70	**70**
Due from component unit	-	-	(2,986)	**(2,986)**
Due from other governments	-	-	37	**37**
Increase (decrease) in liabilities:				
Accounts and other payables	(1,380)	13	138	**(1,229)**
Accrued expenses	(365)	-	46	**(319)**
Due to other funds	-	-	2,768	**2,768**
Due to other governments	-	-	(69)	**(69)**
Unearned revenue	(919)	-	-	**(919)**
Other long-term liabilities	10,079	-	-	**10,079**
Pension liability, net	(5,547)	-	-	**(5,547)**
Deferred inflows relating to pension	(3,371)	-	-	**(3,371)**
Net cash used for operating activities	**$ (75,704)**	**$ (35)**	**$ -**	**$ (75,739)**

(Concluded)

See accompanying notes to the financial statements.

Statement of Net Position

Agency Fund

December 31, 2017

(dollars in thousands)

		Agency Fund
ASSETS:		
Cash and cash equivalents	$	46,919
Receivables:		
Other receivables		634
Bonds and securities held in custody		20
Total assets	**$**	**47,573**
LIABILITIES:		
Amounts held in custody for others	$	47,573
Total liabilities	**$**	**47,573**

See accompanying notes to the financial statements.

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2017

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County of Erie, New York (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board (the "GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Some amounts reported as interfund activity have been eliminated from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

The County was established in 1821. Subject to the New York State Constitution, the County operates pursuant to its Charter and Administrative Code (the "Charter"), as well as various local laws. Additionally, certain New York State laws govern the County to the extent that such laws are applicable to counties operating under a charter form of government. The Charter was enacted by local law and approved by the electorate at a general election held in November 1959. The Administrative Code was enacted into local law in 1961. The County Legislature is the legislative body responsible for overall operations, the County Executive serves as chief executive officer, and the County Comptroller serves as chief fiscal, accounting, reporting and auditing officer.

The County provides mandated social service programs such as Medicaid, Temporary Assistance for Needy Families and Safety Net. The County also provides services and facilities in the areas of culture, recreation, police, libraries, youth, health, senior services, roads, and sanitary sewerage. These general governmental programs and services are financed by various taxes, state and federal aid, and departmental revenue (which is primarily comprised of service fees and various types of program-related charges). Additionally, the County operates the Erie Community College ("the College").

The financial reporting entity includes the County (the "primary government") and its significant component units. A component unit is either a legally separate organization for which the elected officials of a primary government are financially accountable, or another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

1. <u>Discretely Presented Component Units</u>

Financial data of the County's component units that are not part of the primary government is reported in the component units columns in the government-wide financial statements, to emphasize that these component units are legally separate from the County. The aggregate discretely presented component units are not simply an extension of the primary government (e.g. substantially different governing body and services are provided to the general public). These discretely presented component units include the following:

<u>The Buffalo and Erie County Public Library</u> (the "Library"), formed through a consolidation of several public and private libraries, was established by the County and chartered by the State University Board of Regents in 1953. It is a separate and distinct legal corporation that receives an annual budgetary contribution from the County. Library operations are governed by a Board of Trustees who are appointed by the County Legislature. Bonds and notes for Library capital costs are issued by the County and are obligations of the County. Title to real and personal property acquired with County funds vests with the County. The Library is included as a component unit of the County in the financial statements based on the fact that it is a legally separate entity for which the County is financially accountable. The Library does not issue separate financial statements.

<u>Erie County Medical Center Corporation</u> ("ECMCC") is a public benefit corporation created in 2003 for the purpose of acquiring and operating the health facilities of the County. Effective January 1, 2004, a transaction was executed which transferred ownership of the capital assets, equipment, inventories and certain other assets to ECMCC in exchange for a payment of $85,000,000 from ECMCC to the County. Concurrent with the transaction, $101,375,000 of ECMCC bonds were issued, which are guaranteed by the County. Pursuant to consent decrees entered into between the County and ECMCC, the County is committed to providing ongoing operating and capital support to ECMCC. The following component units are included within ECMCC:

<u>Research for Health in Erie County, Inc.</u> ("RHEC") is a nonprofit organization dedicated to developing and increasing the facilities of the public health institutions, agencies, and departments of the County. Additionally, RHEC is committed to provide more extensive conduct of studies and research into the causes, nature, and treatment of diseases, disorders, and defects of particular importance to the public health. RHEC's support comes primarily from investment income. The financial statements of RHEC have been prepared on the accrual basis of accounting. RHEC is exempt from income tax as a not-for-profit corporation under Section 501 (c)(3) of the Internal Revenue Code. The entity has not been receiving funding in recent years. The annual financial report can be obtained by writing Grant Administration, Research for Health in Erie County, Inc., 462 Grider Street, Buffalo, NY 14215.

<u>ECMC Foundation, Inc.</u> (the "Foundation"), formerly the ECMC Lifeline Foundation, Inc., is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed for the purpose of supporting ECMC programs. The annual financial report can be obtained by writing to: Executive Director, ECMC Foundation, Inc., 462 Grider Street, Buffalo, NY 14215.

<u>The Grider Initiative, Inc.</u> (the "Physician Endowment") is a nonprofit organization exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Physician Endowment was formed in 2009, and funded in 2010, for the

purpose of recruiting physicians who shall practice on the Grider Street campus of ECMCC. The entity was funded with an initial transfer of $10,000 from ECMCC. Earnings from the investment of the initial transfer may be used only for physician recruitment and reasonable and necessary expenses of the entity. The annual financial report can be obtained by writing to: Chair, The Grider Initiative, Inc., 424 Main Street, Suite 2000, Buffalo, NY 14202.

ECMCC is considered to be a component unit of the County and is discretely presented based on the fact that it is a legally separate entity for which the County is financially accountable. Separate financial statements for ECMCC can be obtained from ECMCC, 462 Grider Street, Buffalo, NY 14215.

Other Discretely Presented Component Units:

The Auxiliary Services Corporation of Erie Community College, Inc. (the "ECC Auxiliary Corporation"), and the *Erie Community College Foundation, Inc.* (the "ECC Foundation") are both included as discretely presented component units of the County's primary government based on the fact that they are legally separate entities for which the College and County are financially accountable. They receive or hold economic resources that are significant to, and can be accessed by, the College that are entirely or almost entirely for the direct benefit of its constituents (students).

The purpose of the ECC Auxiliary Corporation, a New York nonprofit corporation, is to promote and cultivate educational and social relations through the operation of bookstores, on-campus dining services, vending facilities, childcare, and student centers for the convenience of the students, faculty and staff of the College. The ECC Auxiliary Corporation is funded through sales of merchandise and food, federal and state grants, and other fees. Separate financial statements can be obtained from the Auxiliary Services Corporation of Erie Community College, Inc., Executive Director, 4041 Southwestern Blvd., Orchard Park, NY 14127.

The ECC Foundation is a New York State nonprofit corporation established to support the College. Its purpose is to raise, receive, and administer all private gifts and program services for the College, its programs, and its students. Separate financial statements can be obtained from Erie Community College Foundation, Inc., Executive Director, 121 Ellicott Street, Buffalo, NY 14203.

2. Blended Component Units

Erie County Fiscal Stability Authority ("ECFSA") is included as a blended component unit of the County's primary government pursuant to GASB because exclusion would be misleading. The ECFSA was created to monitor and oversee the finances of the County. Agencies and departments examined by the ECFSA's activities include all of the County's departments and sewer districts, the College and the Library. It reports using the governmental model and its general fund is reported as part of the County's special revenue funds.

The ECFSA is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation created by the Erie County Fiscal Stability Authority Act, Chapter 182 of the Laws of 2005, as supplemented by Chapter 183 of the Laws of 2005 (the "Act"). The Act became effective July 12, 2005.

The ECFSA is governed by seven directors, each appointed by the Governor, including one each appointed upon the recommendation of the Majority Leader of the State Senate, the Speaker of the State Assembly and the State Comptroller. The Governor also designates the chairperson and vice-chairperson from among the directors.

The ECFSA has power under the Act to monitor and oversee the finances of the County, and upon declaration of a "Control Period" as defined in the Act, additional oversight authority. The ECFSA is also empowered to issue its bonds and notes for various County purposes, defined in the Act as "Financeable Costs."

On November 3, 2006, the Authority imposed a control period on the County in accordance with Section 3595(1)(e) of New York Public Authorities Law through resolution 06-49. The resolution empowered the ECFSA to operate with its maximum authorized complement of control and oversight powers over County finances. During a control period all County contracts of $50,000 or more and filling of any positions are subject to ECFSA approval and ECFSA has the power to approve or reject all proposed County borrowings and the County may not borrow without formal ECFSA approval. In addition, the ECFSA has the right to freeze wages, although it has not elected to exercise that right. On June 2, 2009, the ECFSA revoked the control period and reverted to an advisory status with limited control and oversight powers over County finances.

In 2011, the ECFSA issued serial bonds to assist ECMCC in the construction of a new residential health care facility. Loan agreements were executed whereby the ECFSA loaned the proceeds to the County, who in turn loaned the monies to ECMCC. The facility was opened in February 2013.

Revenues of the ECFSA consist of sales tax revenues, defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County on the sales and use of tangible personal property and services in the County ("Sales Tax Revenues"), and investment earnings on money and investments on deposit in various ECFSA accounts. Sales tax revenues collected by the State Comptroller for transfer to the ECFSA are not subject to appropriation by the State or County. Revenues of the ECFSA that are not required to pay debt service, operating expenses and other costs of the ECFSA are payable to the County as frequently as practicable. Separate financial statements for ECFSA can be obtained from the Erie County Fiscal Stability Authority, 295 Main Street, Room 946, Buffalo, NY, 14203.

Erie Tobacco Asset Securitization Corporation ("ETASC") is a special purpose local development corporation organized under the Not-for-Profit Corporation Law of the State of New York and is an instrumentality of, but separate and apart from the County. ETASC was incorporated for the sole purpose of issuing tobacco settlement asset backed bonds in order to provide funds to purchase from the County all of the County's right, title, and interest in annual payments to be received in settlement of certain smoking-related litigation. Tobacco settlement bonds are payable only from the assets of ETASC and are not legal obligations of the County. Although legally separate and independent of the County, ETASC is considered an affiliated organization under GASB and reported as a component unit of the County for financial reporting purposes and, accordingly, is included in the County's financial statements. Separate financial statements for ETASC can be obtained from the Erie Tobacco Asset Securitization Corporation, Treasurer, 95 Franklin Street, Room 1600, Buffalo, NY, 14202.

Erie Community College and *The Buffalo and Erie County Industrial Land Development Corporation*, described at Note I, D, are considered to be blended component units of the County, presented as business-type activities.

3. Related Organizations

County elected officials nominate and confirm the three-member board of the Erie County Water Authority, ("Water Authority") and also appoint a voting majority of the board of the Buffalo Convention Center Management Corporation ("BCCMC"). The County's accountability for these legally separate organizations does not extend beyond making the board appointments. Specifically, the County cannot impose its will on any of these organizations. In addition, in the case of the Water Authority, no financial operating assistance is provided to, nor is the County liable for, any debt issued by this public benefit corporation. In regard to the not-for-profit BCCMC, the entity and the County are parties to an exchange transaction under which the BCCMC is responsible for operating and managing the area's convention center. These related organizations are not component units of the County and do not meet the basic criteria for inclusion in the County reporting entity.

4. Joint Ventures

Western Regional Off-Track Betting Corporation

The County is a participant in the Western Regional Off-Track Betting Corporation ("OTB"), a public benefit corporation established under New York State Racing, Pari-Mutuel Wagering and Breeding Law. The OTB conducts within the region a system of off-track pari-mutuel betting on horse races, and distributes net revenues to the participants in accordance with a predetermined formula. Separate financial data for this joint venture has been excluded from the financial statements, consistent with GASB. Additional information about this joint venture is presented in Note XVIII.

Buffalo Erie Niagara Land Improvement Corporation

The Buffalo Erie Niagara Land Improvement Corporation ("BENLIC") was organized on June 6, 2012, pursuant to Article 16 of the Not-for-Profit Corporation Law of the State of New York. BENLIC was formed through a joint venture of the County of Erie and Cities of Buffalo, Lackawanna, and Tonawanda. BENLIC was created to confront and alleviate the problems distressed properties cause to communities by supporting municipal and regional revitalization efforts and strategically acquiring, improving, assembling, and selling distressed, vacant, abandoned, and/or tax-delinquent properties. Separate financial data for this joint venture has been excluded from the financial statements, consistent with GASB. Additional information about this joint venture is presented in Note XVIII.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The County has five discretely presented component units, with two major component units being shown in separate columns and three nonmajor component units being aggregated into a single column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used such as Utilities Aggregation Fund billings to other funds. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

General Fund – the principal operating fund that includes all operations not required to be recorded in other funds.

ECFSA General Fund – used to account for all of the operations of the ECFSA, included as a blended component unit. This fund accounts for sales tax revenues received by ECFSA and for general operating expenditures of ECFSA.

ECFSA Debt Service Fund – used to account for the accumulation of resources for, and for the payment of, long-term bond principal, interest and related costs of the ECFSA.

The County reports the following major proprietary funds:

Erie Community College – resources received and used for college purposes are accounted for through the College. The College is not a legally separate entity from the County. A fiscal year ending August 31 is mandated by New York State law for the College. Accordingly, financial information for the College is presented as of and for the 2016-2017 fiscal year then ended.

During the fiscal year ended August 31, 2017, the College determined that $2,039,000 of capital purchases should have been included in construction in progress as of August 31, 2016. As a result, capital assets and operating expenses for the fiscal year ended August 31, 2016 have been restated by $2,039,000.

The College does not account for certain capital projects, certain capital assets or certain indebtedness. These are direct functions of the County and are reported within the governmental activities columns in the government-wide financial statements.

Additional information as excerpted from the College's financial statements is as follows:

The County Executive and the County Legislature approve the College's annual budget, with the County providing funding for one-half and approximately one-fifth of capital and operating costs, respectively.

Equipment of the College has been included in the business-type activities column in the statement of net position. This equipment is recorded at cost or estimated historical cost. Donated assets are stated at estimated fair value as of the date received.

The Buffalo and Erie County Industrial Land Development Corporation, Inc. ("ILDC") is a legally separate entity of which the County, acting by and through the County Executive, is the sole member. It is discretely presented in the County's financial statements because the County is financially accountable for it. The ILDC is managed by its Board of Directors. Although ILDC does not meet the GASB requirements to be presented as a major fund, the County has elected to show ILDC as a major fund.

Legal expenses in the amount of $25,608 related to the Bethlehem Steel land purchase incurred in 2016 were capitalized as part of the land cost in 2017 which resulted in a restatement of net position.

In 2009, ILDC by–laws and organizing documents were changed and specific activities first became under the direct governance of the County. These changes allow the ILDC to provide tax-exempt bond financing for not-for-profit organizations. Such debt of the ILDC can never be the debt of the County or any political subdivision thereof and can only be paid out of specific revenues and receipts of the ILDC. The ILDC provides no services to the County. Separate financial statements can be obtained from Buffalo and Erie County Industrial Land Development Corporation Inc., Chief Operating Officer, 275 Oak Street, Buffalo, NY 14203.

Additionally, the County reports a fiduciary fund type that is used to account for assets held by the County in a custodial capacity:

Agency Fund – used to account for money and property received and held in the capacity of custodian or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations.

During the course of operations the County has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

Measurement focus is the determination of what is expressed in reporting an entity's financial performance and position (i.e., expenditures or expenses). A particular measurement focus is accomplished both by considering what resources will be measured and the basis of accounting.

Basis of accounting refers to when revenues, expenditures/expenses, and the related assets, deferred outflows/inflows of resources, and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

Accrual Basis – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Modified Accrual Basis – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period (60-day rule). Revenues from federal, state, or other grants designated for specific County expenditure are recognized when the related expenditures are incurred.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments and claims, are recorded only when payment is due and expenditures for inventory-type items and for prepayments (except retirement) are recognized at the time of the disbursements. Capital asset acquisitions are reported as expenditures in governmental funds.

Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales and use taxes, state and federal aid and various grant program revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government, subject to the 60-day rule discussed above.

F. Budgetary Information

Annual appropriated budgets are adopted and employed for control of the General Fund; the Road, Sewer, Downtown Mall, and E-911 Special Revenue Funds; the Utilities Aggregation Enterprise Fund; and the Debt Service Fund, minimally detailed to the department and account level. These budgets are adopted on a basis consistent with GAAP, except that encumbrances are reported as budgetary expenditures in the year of incurrence of commitment to purchase in the General Fund, the enumerated Special Revenue Funds and the Debt Service Fund. All unencumbered appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified. Annual appropriated budgets are not employed for the Grants and Community Development Special Revenue Funds.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

All highly liquid investments with an original maturity date of three months or less are considered to be cash equivalents. Investments are stated at fair value, the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent restricted fund balance and unspent proceeds of debt.

3. Prepaid Items and Inventories

Certain payments to vendors and the New York State and Local Employees' Retirement System reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

The cost of all supplies inventories are recorded as expenditures/expenses when purchased rather than when consumed.

4. Capital Assets

All capital assets which are acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and are accounted for and reported in the government-wide financial statements as capital assets, if they meet the County’s capitalization criteria. These statements also contain the County’s infrastructure assets that are required to be capitalized under GAAP. Infrastructure assets include public domain assets such as roads, bridges, and sewer systems. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Equipment with an initial individual cost equal to or greater than $10,000 and an estimated useful life of three or more years is capitalized. All purchases of library books are capitalized because there is no minimum capitalization threshold.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Improvements Other Than Buildings	5 - 25 years
Buildings and Improvements	15 - 40 years
Infrastructure	20 - 100 years
Library Collections	5 - 10 years

The Buffalo and Erie County Public Library has a rare book collection that is classified as a Work of Art and Historical Treasure for financial reporting purposes. This collection is deemed an inexhaustible asset, and therefore, is not depreciated.

When capital assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period in the government-wide statements. Amortization of capital leases is computed using the straight-line method over the lease term or the estimated useful lives of the assets, whichever is shorter. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

The capital outlays character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new police vehicle included as part of expenditures-public safety). At times, amounts reported as capital outlays in the Capital Project Fund will also include non-capitalized, project-related costs (for example, furnishings).

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The primary government has three items that qualify for reporting in this category in the government-wide statement of net position. One is the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Another relates to pensions. This represents the effect of the net change in the County's proportion of the collective net pension asset or liability, the difference during the measurement periods between the County's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The third relates to the deferred outflow on ETASC's forward purchase agreement swap relating to the accumulated increase in its fair value.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items that qualify for reporting in this category. The first, unavailable revenue, arises under a modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, another item represents the effect of the net change in the County's proportion of the collective net pension liability and the difference during the measurement periods between the County's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements only.

6. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted–net position and unrestricted–net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted–net position to have been depleted before unrestricted–net position is applied.

7. Fund Balance Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the County's highest level of decision-making authority. The Erie County Legislature is the highest level of decision-making authority for the County that can, by adoption of a Legislative Resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to rescind or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The Legislature authorizes assigned amounts of fund balance. The County Legislature may also assign fund balance when appropriating fund balance to lower a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. All taxes, including those deducted for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Tax Revenue Recognition

The County-wide property tax is levied by the County Legislature effective January 1 of the year the taxes are recognizable as revenue. Taxes become a lien on the related property on January 1 of the year for which they are levied. Accordingly, property tax is only recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period or 60 days thereafter in the fund financial statements.

Delinquent property taxes not collected at year-end (excluding collections in the 60-day subsequent period) are recorded as unearned revenue in the fund financial statements. The portion of delinquent property taxes for prior years estimated to be uncollectible at December 31, 2017, amounted to $41,212,345. This amount has been recorded as an allowance against the property taxes receivable account.

3. Unearned Revenue

Resources obtained that have not met the revenue recognition criteria for government-wide or fund financial purposes are recorded as a liability.

4. Compensated Absences

Most employees are granted vacation, personal, and sick leave and earn compensatory time in varying amounts. When they leave service, employees are entitled to payment for accumulated vacation and unused compensatory time at various rates subject to certain maximum limitations. In addition, depending on the applicable collective bargaining agreement, retirees may be eligible to receive a direct cash payment for a portion of unused sick time upon retirement.

Compensated absences for governmental fund type employees are reported as a liability and expense in the government-wide financial statements. Governmental funds recognize the expenditure when paid. For proprietary fund type employees, the accumulation is recorded as an accrued liability and/or other long-term obligation of the proprietary fund type.

Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore, timing of future payment is not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

5. Pensions

The County is mandated by New York State law to participate in the New York State Teacher's Retirement System ("TRS") and the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension (asset)/liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. More information regarding pensions included in Note IX.

6. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing educational services and the purchase and resale of utilities in connection with the proprietary fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the College, the County's major proprietary fund, are charges to students for tuition and fees. Operating expenses for the College include employee wages and benefits and student scholarships.

I. Other

1. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. Statement of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include the following items: cash on hand; cash in checking and time accounts; and certain short-term items maturing three months or less from the date acquired, as permitted by State statute.

3. Reclassifications

Certain amounts were reclassified from ECFSA's financial statements to conform to the County's reporting presentation. In the ECFSA's statement of revenue, expenditures, and change in fund balances, \$56,603,737 representing principal and interest revenue received from the County relating to mirror bonds and a revenue anticipation note purchased by the ECFSA, and \$439,439,752 representing sales tax revenue and other distributions to the County, were reclassified as transfers in and transfers out, respectively.

4. Adoption of New Accounting Pronouncements

During the fiscal year ended December 31, 2017, the County adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.* Statement No. 80 requires a component unit to be included in the financial statements of a reporting entity using the blending method if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member. GASB Statement No. 80 included ILDC as a business-type activity blended component unit. As a result, beginning net position of business-type activities has been restated to include ILDC net position (\$253,335). See Note I, B for more information regarding component units. The County also presents several component units in the financial statements for consistency and improved financial reporting.

The County also implemented GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans;* No. 81, *Irrevocable Split-*

Interest Agreements; and No. 82, *Pensions Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of GASB Statement No. 74 is to improve the usefulness of information about other post-employment benefits presented in financial reports. The primary objective of GASB Statement No. 81 is to provide guidance for financial reporting when a government is the beneficiary of a split-interest agreement. The objective of GASB Statement No. 82 is to improve the consistency in the application of pension accounting and financial reporting requirements. GASB Statements No. 74, No. 81, and No. 82 did not have a material impact on the County's financial position or results of operations.

5. <u>Future Impacts of Accounting Pronouncements</u>

The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions; No*. 85, *Omnibus 2017;* and No. 86, *Certain Debt Extinguishment Issues,* effective for the fiscal year ending December 31, 2018; and No. 83, *Certain Asset Retirement Obligations* and No. 84, *Fiduciary Activities,* effective for the fiscal year ending December 31, 2019. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 75, 83, 84, 85, 86, 87 and 88 will have on its financial position and results of operations.

II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. <u>Budgetary Information</u>

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the County Charter and Administrative Code, no later than October 15, the County Executive submits a tentative operating and capital budget which details proposed expenditures and the proposed means of financing to the Erie County Legislature for the fiscal year commencing the following January 1. The College budget is not included in the County Executive's tentative budget, since it is separately adopted during the first County legislative meeting in July for the fiscal year commencing September 1.

2. After public hearings are conducted to obtain taxpayer comments, the County Legislature (governing board) adopts the budget no later than the second Tuesday in December.

3. The County Executive is authorized to make budget transfers within the same administrative unit up to a cumulative total of $10,000 between accounts or line items. Any proposed transfer which would result in an increase exceeding $10,000 in any one line item in the budget, as adopted during the fiscal year or would affect any salary rate or salary total, would need prior approval by resolution of the County Legislature. In no instance shall a transfer be made from appropriations for debt service, and no appropriations may be reduced below any amount which is required by law to be appropriated.

4. The Emergency Response Special Revenue Fund was established to account for revenues received from the Federal Emergency Management Agency and expenditures associated with the cleanup of major storm damage that occurred in October 2006 and November 2014.

5. Capital Projects Funds are subject to project budgets determined primarily by the bonding authorizations used to fund a particular project rather than annual budgetary appropriations. These budgets do not lapse at year-end; rather, they lapse upon termination of the project.

6. Expenditures within the General, Special Revenue, Utilities Aggregation Enterprise, and the Debt Service funds may not legally exceed the amount appropriated for such accounts within a department. During the year, numerous supplementary appropriations were necessary.

Individual governmental fund comparisons of budgetary and actual data at the legal level of control established by the adopted budget (i.e., minimally the department and account level) are not presented in this report for those funds with annual appropriated budgets due to the excessive detail involved. However, a separate budgetary comparison report is available which contains this information. This report can be obtained from the Erie County Office of the Comptroller, 95 Franklin Street, Room 1100, Buffalo, New York 14202.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all County funds except the Enterprise Funds, and the Agency Fund. Outstanding encumbrances at year end, except for grant-related commitments that are not reported in the financial statements, are presented for GAAP reporting purposes as assignments of fund balances, and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Unencumbered appropriations lapse at fiscal year-end.

The County reports its budgetary status with the actual data including encumbrances as charges against budgeted appropriations. Following is a reconciliation of the budgetary basis (i.e. non-GAAP) and the GAAP basis operating results (dollars in thousands):

	General Fund
Excess of revenues and other financing sources over expenditures and other financing uses - GAAP basis	$ 19,115
Less:	
Encumbrances at December 31, 2017	1,100
Plus:	
Encumbrances at January 1, 2017	2,465
Excess of revenues and other financing sources over expenditures and other financing uses - basis of budgeting . .	$ 20,480

Budget columns presented in the accompanying financial statements reflect deficiencies of revenues and other financing sources over expenditures and other financing uses. These deficiencies are caused by the anticipated use of prior-year's fund balance, which had been assigned for 2017 expenditures through the budget process. The County overspent on Health, Transportation, and Home and Community expenditures which were largely due to DSH and IGT payments, increased repairs and maintenance, and sewer repairs, respectively.

Commitments related directly to the Grants and the Community Development Special Revenue Funds in the amounts of $8,177,659 and $2,036,770, respectively, at December 31, 2017, are not reported on the GAAP financial statements. Budget appropriations are not made available for these commitments until grant revenues are recognized at the time of expenditure.

B. <u>Deficit Unassigned Fund Balances</u>

Deficit unassigned fund balance amounts in the Grants and the Community Development Special Revenue Funds in the amounts of $391,394 and $22,361, respectively, are caused by nonspendable fund balance amounts recorded for prepaid items. Deficit unassigned fund balance in the ECFSA Debt Service Fund of $30,585 is caused by the change in the fair value of the Treasury notes.

C. Deficit Net Position

The Governmental Activities reported a total net deficit of approximately $83,024,000 at December 31, 2017, resulting primarily from ETASC's net deficit of $288,086,944 that is caused by its recognition of bonds payable with no offsetting capital assets.

The College Proprietary Fund reported a total net position deficit of $24,079,307 that primarily represents the effect of GASB required recognition of other post-employment benefits annually. It is anticipated that this trend will continue.

III – CASH, CASH EQUIVALENTS AND INVESTMENTS

Primary Government, Agency Fund and Library Component Unit

Available cash of the County is deposited and invested in accordance with the County's own written investment guidelines which have been established by the Comptroller's Office, approved by the County Legislature and are in compliance with provisions of applicable State statutes. The ECFSA does not have a formal investment policy.

Agency Fund bank accounts are maintained at financial institutions where monies of the County's other funds are also on deposit. In addition, the Library does not maintain a separate bank account; instead, it participates in the pooled cash of the County. The banks calculate and report FDIC coverage and collateral requirements for the County's Agency Fund, the County's other funds and Library together, separately from that of the College.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from fluctuating interest rates, it is the County's policy to generally limit investments to municipal bonds or investments of 180 days or less.

Credit Risk – In compliance with New York State law, it is the County's policy to limit its investments to obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State of New York, time deposit accounts and certificates of deposit issued by a bank or trust company located in and authorized to do business in New York State and certain joint or cooperative investment programs.

Custodial Credit Risk – For investments, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A margin of 2% or higher of the market value of purchased securities in repurchase transactions must be maintained and the securities must be held by a third party in the County's name. For deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. Collateral is required for deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. Banks can satisfy collateral requirements by furnishing a letter of credit, a surety bond, or by pledging eligible securities as specified in Section 10 of New York State General Municipal Law. New York State Education Law does not require collateral for college checking accounts, unless the Board of Trustees deems it necessary. If collateral is required, it can be in the form of a surety bond or obligations of the United States, the State, or any municipality or college of the State. Certain balances for accounts held in trust are collateralized by the State of New York.

Concentration of Credit Risk – To promote competition in rates and service cost, and to limit the risk of institutional failure, County deposits and investments are placed with multiple institutions. The general rule is not to place more than $200,000,000 or 50% of the County's total investment portfolio, whichever is less, in overnight investments with any one institution.

Deposits – The County deposits cash into a number of bank accounts. Monies must be deposited in demand, time or NOW accounts or certificates of deposit issued by FDIC-insured commercial banks or trust companies located within the State. Some of the County's accounts are required by various statutes and borrowing restrictions for specific funds, while the remainder are used for County operating cash and for investment purposes.

As of December 31, 2017 (August 31, 2017 as to the College), the bank deposits of the Primary Government, Library, and Agency Fund were either FDIC insured or fully collateralized with securities held by the pledging financial institution's agent in the County's name.

Cash and Cash Equivalents – All highly liquid investments with an original maturity date of three months or less are considered to be cash equivalents. Existing policies require that any underlying securities for repurchase transactions must be only federal obligations. Such obligations are explicitly guaranteed by the U.S. Government and therefore not considered to have credit risk. At December 31, 2017, the fair value of money market accounts was $37,564 which were fully collateralized with securities held by the pledging financial institution's agent in the County's name.

Investments – All investments are carried at fair value and are held by a third party in the County's, ETASC's or ECFSA's name. Investments for the Primary Government at year-end are shown below (dollars in thousands):

	Fair Value
Municipal bonds	$ 200
Corporate commercial paper	19,469
Total investments	$ 19,669

The County's investment in municipal bonds at December 31, 2017 consists of $200,000 of Gulf Coast Waste Disposal Authority of Texas revenue bonds maturing September 1, 2025 that were rated Aaa by Moody's.

ETASC's investment in corporate commercial paper at December 31, 2017 consisted of $19,468,829 of General Electric Capital Corporation Commercial Paper which was rated P-1 by Moody's.

ECFSA had $39,049,112 in U.S. Treasury securities at December 31, 2017.

Fair Value Measurements — The County has adopted GASB No. 72, *Fair Value Measurement and Application*. This guidance requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management utilizes valuation techniques that maximize the use of observable inputs (Level 1 and 2) and minimize the use of unobservable inputs (Level 3) within the fair value hierarchy established by GASB. Assets and liabilities carried at fair value are required to be classified and disclosed in one of the following three categories:

Level 1 **-** Valuations based on quoted prices in active markets for identical assets that the County has the ability to access.

Level 2 **-** Valuations based on quoted prices in active markets for similar assets, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 **-** Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company generated inputs and are not market-based inputs. The County has no Level 3 assets.

The primary government has the following fair value measurements as of December 31, 2017:

Description	Level 1	Level 2	Level 3	Total
Debt Securities:				
Municipal bonds	$ 200	$ -	$ -	$ 200
Corporate commercial paper	19,469	-	-	19,469
Treasury securities	39,049	-	-	39,049
Total	$ 58,718	$ -	$ -	$ 58,718

ECMCC Component Unit

The ECMCC maintains various accounts for depositing, disbursing and investing its funds. The ECMCC's investments are made in accordance with State regulations and its investment guidelines.

Cash and Cash Equivalents – Include cash on hand and monies deposited in checking and money market accounts. Excluding assets whose use is limited, cash and cash equivalents total $25,415,000 as of December 31, 2017.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from fluctuating interest rates, it is the ECMCC's policy to generally limit investments to maturities of less than one year.

Investments – All investments are carried at fair value, and are categorized as insured or uninsured, and collateralized by securities held by the pledging financial institution in the ECMCC's name. The ECMCC's investments and restricted cash and cash equivalents as of December 31, 2017 are shown below (dollars in thousands).

	Fair Value
Money market mutual funds, bank accounts and deposits	$ 162,865
Marketable equity securities	21,568
U.S. Government and Agency Obligations	51,748
Corporate bonds	33,151
Short term fixed income	16,910
Total investments and restricted cash and cash equivalents ECMCC primary government	286,242
Foundation Component Unit	2,317
RHEC Component Unit	1,016
Physician Endowment Component Unit	10,795
Total ECMCC investments and restricted cash and cash equivalents	$ 300,370

	Fair Value
Investments - unrestricted	$ 43,729
Restricted cash and cash equivalents	256,641
Total	$ 300,370

Fair Value Measurements – ECMCC primary government has the following fair value measurements as of December 31, 2017 (dollars in thousands):

Description	Level 1	Level 2	Level 3	Total
Investments and assets whose use is limited:				
Cash and cash equivalents	$ 162,865	$ -	$ -	$ 162,865
Marketable equity securities:				
Mid-cap value equities	3,984	-	-	3,984
Value equities	1,993	-	-	1,993
Growth equities	11,649	-	-	11,649
Global core equities	3,942	-	-	3,942
Short-term fixed income	-	16,910	-	16,910
Corporate bonds	-	33,151	-	33,151
Government bonds	-	51,748	-	51,748
Total	$ 184,433	$ 101,809	$ -	$ 286,242

Other Component Units

Erie Community College Foundation, Inc. – The portfolio of investments is carried at their fair value. For donated investments, costs are determined to be fair value at the date of gift.

Fair values and net unrealized gains and losses pertaining to the investment portfolio as of August 31, 2017 are as follows (dollars in thousands):

	Cost	Quoted Market Prices (Level 1)
Fixed income	$ 1,481	$ 1,517
International equities	840	864
Domestic stocks	2,059	2,170
Total	$ 4,380	$ 4,551
Net unrealized gain		$ 171

IV - RESTRICTED CASH AND CASH EQUIVALENTS

Primary Government

Restricted Cash and Cash Equivalents – At December 31, 2017 the County reported the following restricted cash and cash equivalents (dollars in thousands):

	Fair Value
Handicapped parking	$ 162
Capital expenditures	138,082
Total	$ 138,244

ECMCC Component Unit

Assets Whose Use is Limited – Assets whose use is limited are reported as restricted cash and cash equivalents at December 31, 2017 and consist of the following (dollars in thousands):

	Fair Value
Patient and resident's trust cash	$ 334
Restricted for debt service principal and interest	19,788
Medical and dental staff funds	340
Designated for retiree health obligations	24,831
Designated for self insurance	37,329
Designated for long-term investment	18,595
Designated for DSRIP program	24,440
NYS voluntary defined contribution plan escrow	129
Foundation Component Unit	1,672
Restricted for capital projects	99,041
Physicians Endowment Component Unit	10,795
Restricted - insured workers' compensation collateral	19,347
Total	$ 256,641

V - PROPERTY TAXES

The Countywide property tax is levied by the County upon the taxable real property in the towns and cities in the County in late December of each year at the last meeting of the County Legislature and becomes a lien on the next succeeding January 1. Such taxes are collected by the respective collection officers in each town and in the cities of Lackawanna and Tonawanda until the date established for return of the tax rolls to the County, which can be no later than September 15. For the City of Buffalo, the County collects these taxes from the lien date.

With respect to the cities, the County taxes are due by February 15, and penalties are imposed as follows: 1.5% prior to March 1; 3% prior to March 16; 4.5% prior to April 1; 6% prior to April 16; 7.5% prior to May 1; and 1.5% additional each month thereafter. The cities each levy and collect their city taxes, and the County is not responsible for any unpaid city taxes. The County is responsible only for uncollected County taxes levied in such cities.

With respect to the towns, the countywide property tax is levied by the County together with town property taxes, which include special district, fire district, and highway taxes. In towns of the first class, taxes are due without penalties by February 15. Penalties are 1.5% prior to March 1; 3% prior to March 16; 4.5% prior to April 2; 6% prior to April 16; 7.5% prior to May 1; and 1.5% additional for each month thereafter. In towns of the second class, taxes are due without penalty within ten days after receipt of the tax roll by the respective collection agency. Penalties are 1.5% prior to March 16 unless waived; 7.5% prior to May 1; and 1.5% additional each month thereafter. All towns first retain their share of taxes from collections and remit the balance to the County. The County is responsible for uncollected taxes of all subordinate jurisdictions, except for the three cities.

The County levies taxes for most school districts throughout the County and is responsible for uncollected school district taxes outside the cities of Buffalo, Lackawanna, and Tonawanda.

Additionally, at the option of villages within the County, the County may also be responsible for uncollected village taxes.

Constitutional Tax Limit

The amount that may be raised by the countywide tax levy on real estate in any fiscal year (for purposes other than debt service on County indebtedness) is limited to one and one-half per centum (subject to increase up to two per centum by resolution of the County Legislature) of the five-year average full valuation of taxable real estate of the County, per New York State statutes. On November 13, 1978, a local law became effective which limits the maximum amount of real estate taxes which can be levied other than for debt service to one per centum of such average full valuation of all the taxable real estate within the County.

The County constitutional tax limit (per New York State statutes) for the fiscal year ended December 31, 2017 is computed as follows (dollars in thousands):

Five-year average full valuation of taxable real estate (2013-2017)	$ 50,248,169
Tax limit @ 1.5%	$ 753,723
Statutory additions	72,768
Total taxing power	826,491
Total levy	(312,545)
Tax margin	$ 513,946

VI – RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

All major revenues of the County's governmental funds are considered "susceptible to accrual" based on the 60 day rule under the modified accrual basis. These include property tax, sales tax, state and federal aid, and various grant program revenues. The proprietary funds record revenues using the accrual basis of accounting.

Major revenues accrued by the County in the various governmental fund types at December 31, 2017 include sales and use taxes in the amount of $52,295,726; state and federal assistance for social services of $106,947,024; and other state and federal aid (including grants) approximating $69,534,944.

Receivables at year-end of the County's major individual funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows (dollars in thousands):

Receivables and due from other governments - Governmental Funds	General Fund	ECFSA General	Other Governmental Funds	Total
Real property taxes, interest, penalties and liens	$ 121,789	$ -	$ 34	$ 121,823
Sales and use tax	-	52,296	-	52,296
Federal and state assistance for social services programs	106,947	-	-	106,947
Other federal and state aid	36,879	-	32,205	69,084
Other	12,269	-	33,726	45,995
Gross receivables	277,884	52,296	65,965	396,145
Less: allowances for uncollectibles	41,212	-	-	41,212
Total receivables	$ 236,672	$ 52,296	$ 65,965	$ 354,933

Receivables and due from other governments - Proprietary Funds	College 8/31/17	Utilities Aggregation Fund	Total
Accounts receivable	$ 11,792	$ -	$ 11,792
Other	-	607	607
Gross receivables	11,792	607	12,399
Less: allowances for uncollectibles	8,810	-	8,810
Total receivables	$ 2,982	$ 607	$ 3,589

All Governmental and Proprietary Fund receivables are expected to be collected within one year.

VII - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows (dollars in thousands):

A. Primary Government

1. Governmental Activities

	Balance 1/1/17	Reclassifications and Increases	Reclassifications and Decreases	Balance 12/31/17
Capital assets, not being depreciated:				
Land	$ 34,536	$ 328	$ -	$ 34,864
Construction in progress	100,318	51,976	(75,807)	76,487
Total capital assets, not being depreciated	134,854	52,304	(75,807)	111,351
Capital assets, being depreciated:				
Buildings and improvements	646,171	5,581	-	651,752
Transportation network	646,248	27,820	-	674,068
Sewer network	293,568	24,301	-	317,869
Improvements other than buildings	30,373	6,527	-	36,900
Machinery and equipment	123,796	2,667	(17)	126,446
Total capital assets, being depreciated	1,740,156	66,896	(17)	1,807,035
Less accumulated depreciation for:				
Buildings and improvements	(375,173)	(19,291)	-	(394,464)
Transportation network	(400,246)	(28,323)	-	(428,569)
Sewer network	(107,972)	(4,725)	-	(112,697)
Improvements other than buildings	(20,851)	(1,596)	-	(22,447)
Machinery and equipment	(108,870)	(5,358)	17	(114,211)
Total accumulated depreciation	(1,013,112)	(59,293)	17	(1,072,388)
Total capital assets, being depreciated, net	727,044	7,603	-	734,647
Governmental activities capital assets, net	$ 861,898	$ 59,907	$ (75,807)	$ 845,998

Depreciation expense was charged to functions of the governmental activities as follows:

Governmental activities:	
General government	$ 14,095
Public safety	6,591
Health	366
Transportation	29,336
Economic assistance and opportunity	24
Culture and recreation	1,482
Education	1,674
Home and community service	5,725
Total governmental activities depreciation expense	$ 59,293

2. Business-type Activities*

	Balance 9/1/16 (as restated)	Reclassifications and Increases	Decreases	Balance 8/31/17
Capital assets, not being depreciated:				
Construction in progress	$ 3,448	$ 3,480	$ (5,497)	$ 1,431
Capital assets, being depreciated:				
Building improvements	32,150	5,494	-	37,644
Land improvements	64	-	-	64
Equipment	24,837	2,176	(255)	26,758
Library collections	2,271	218	(246)	2,243
Total capital assets, being depreciated	59,322	7,888	(501)	66,709
Less accumulated depreciation for:				
Building improvements	(6,114)	(1,745)	-	(7,859)
Land improvements	(37)	(3)	-	(40)
Equipment	(19,128)	(2,685)	238	(21,575)
Library collections	(1,166)	(213)	233	(1,146)
Total accumulated depreciation	(26,445)	(4,646)	471	(30,620)
Total capital assets, being depreciated, net	32,877	3,242	(30)	36,089
Business-type activities capital assets, net	$ 36,325	$ 6,722	$ (5,527)	$ 37,520

Depreciation expense for the College was $4,645,867 for the year ended August 31, 2017. The Utilities Aggregation Fund does not have capital assets.

ILDC’s land held for resale is recorded at net realizable value based on the assessment of the fair value of each project. The net realizable value as of December 31, 2017 amounted to $6,530,672.

B. Component Units

1. Library

	Balance 1/1/17	Increases	Decreases	Balance 12/31/17
Capital assets, not being depreciated:				
Rare book collection	$ 11,434	$ 63	$ -	$ 11,497
Capital assets, being depreciated:				
Machinery, equipment and library materials	56,159	3,044	(3,689)	55,514
Less accumulated depreciation for:				
Machinery, equipment and library materials	(50,417)	(2,582)	3,376	(49,623)
Total capital assets, being depreciated, net	5,742	462	(313)	5,891
Library component unit capital assets, net	$ 17,176	$ 525	$ (313)	$ 17,388

Depreciation expense for the Library was $2,582,291 for the year ended December 31, 2017.

2. ECMCC

	Balance 1/1/17	Increases	Decreases	Balance 12/31/17
Capital assets, not being depreciated:				
Construction in progress	$ 3,629	$ 8,086	$ (3,248)	$ 8,467
Total capital assets, not being depreciated	3,629	8,086	(3,248)	8,467
Capital assets, being depreciated:				
Land and land improvements	20,289	237	-	20,526
Buildings and building improvements	420,679	1,687	(71)	422,295
Fixed/major moveable equipment	153,046	10,361	(255)	163,152
Total capital assets, being depreciated	594,014	12,285	(326)	605,973
Less accumulated depreciation	(337,797)	(28,677)	236	(366,238)
Total capital assets, being depreciated, net	256,217	(16,392)	(90)	239,735
ECMCC component unit capital assets, net	$ 259,846	$ (8,306)	$ (3,338)	$ 248,202

Depreciation expense for ECMCC was $28,677,000 for the year ended December 31, 2017.

VIII – PAYABLES, ACCRUED LIABILITIES AND DUE TO OTHER GOVERNMENTS

Payables at year-end of the County's major individual funds and nonmajor funds in the aggregate are as follows (dollars in thousands):

Accounts and retained percentage payable, accrued liabilities and due to other governments - Governmental Funds	General Fund	ECFSA General	ECFSA Debt	Other Governmental Funds	Total
Accounts payable	$ 19,727	$ -	$ -	$ 15,106	$ 34,833
Other governments	25,993	-	-	124	26,117
Health and social service programs and agencies	35,562	-	-	668	36,230
Retained percentages	-	-	-	2,135	2,135
Salaries & fringes	4,944	-	-	931	5,875
Other	1,504	41	32	2,425	4,002
Total	$ 87,730	$ 41	$ 32	$ 21,389	$ 109,192

Accounts payable, accrued liabilites due to other governments and fringe benefits payable - current Proprietary Funds	College 8/31/17	Utility Aggregation Fund	Total
Accounts payable	$ 1,392	$ 1,127	$ 2,519
Fringes benefits payable - current	3,809	-	3,809
Other	4,972	907	5,879
Total	$ 10,173	$ 2,034	$ 12,207

IX – PENSION OBLIGATIONS

Background

The County participates in the New York State and Local Employees' Retirement System ("ERS"). In addition, all faculty and administrators of the College have the option of participating in the New York State Teachers' Retirement System ("TRS") or the Teachers' Insurance and Annuity Association – College Retirement Equities Fund ("TIAA-CREF").

A. Defined Benefit Plans

Plan Descriptions and Benefits Provided

New York State and Local Employees' Retirement System – This is a cost-sharing multiple-employer retirement system. The ERS provides retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York ("Comptroller") serves as sole trustee and administrative head of the ERS. System benefits are established under the provisions of the NYSRSSL. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The system is noncontributory, except for those employees who joined the ERS after July 27, 1976 who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010, who generally contribute 3.0% to 3.5% of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute a percentage ranging from 3% to 6%, based on salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employer's contributions based on the salaries paid during the ERS's fiscal year ending March 31.

New York State Teachers' Retirement System – The TRS is a cost-sharing multiple-employer retirement system. TRS provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and Retirement and the New York State Retirement and Social Security Law ("NYSRSSL"). TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York State Public Schools and BOCES who elect to participate in TRS. Once a public employer elects to participate in TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding TRS may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial Report which can be found on TRS's website at www.nystrs.org.

Plan members who joined the TRS before July 27, 1976, are not required to make contributions. Those joining after July 27, 1976 are required to contribute 3.0% to 3.5% of their annual salary. Employees in the System more than ten years are no longer required to contribute. Pursuant to Article 11 of the Education Law, rates are established annually by the New York State Teachers' Retirement Board.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At December 31, 2017, the County reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for ERS and TRS (dollars in thousands):

	Governmental Activities ERS	Business-type Activities ERS	Business-type Activities TRS
Measurement date	March 31, 2017	March 31, 2017	June 30, 2016
Net pension liability/(asset)	$ 86,355	$ 8,291	$ 1,045
County's portion of the Plan's total net pension liability/(asset)	0.9190395%	0.0882347%	0.0976120%

The net pension liability/(asset) was measured as of March 31, 2017 for ERS and as of June 30, 2016 for TRS. The total pension liability/(asset) used to calculate the net pension liability/(asset) were determined by actuarial valuations as of April 1, 2016 and June 30, 2015, respectively, with update procedures used to roll forward the total net pension liability/(asset) to the measurement dates. The County's proportion of the net pension liability/(asset) were based on projections of the County's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the Systems in reports provided to the County and College. For ERS, the Library is under the County's plan. The County determined a percentage allocated to the Library for their portion of the County's net pension liability.

For the year ended December 31, 2017, the County recognized pension expense of $52,683,344 for the ERS, and an actuarial increase of $1,705,060 for the TRS. At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollars in thousands):

	Deferred Outflows of Resources		
	Governmental Activities ERS	Business-type Activities ERS	Business-type Activities TRS
Differences between expected and actual experiences	$ 2,164	$ 208	$ -
Changes in assumptions	29,502	2,832	5,956
Net difference between projected and actual earnings on pension plan investments	17,249	1,656	2,351
Changes in proportion and differences between the County's contributions and proportionate share of contributions	358	33	15
County contributions subsequent to the measurement date	25,618	1,363	1,448
Total	$ 74,891	$ 6,092	$ 9,770

	Deferred Inflows of Resources		
	Governmental Activities ERS	Business-type Activities ERS	Primary Government-TRS
Differences between expected and actual experiences	$ 13,114	$ 1,259	$ 339
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	4,340	417	164
Total	$ 17,454	$ 1,676	$ 503

The County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

Year ending December 31,	Governmental Activities ERS	Business-type Activities ERS	Business-type Activities TRS
2018	$ 14,948	$ 1,435	$ 703
2019	14,948	1,435	703
2020	13,880	1,332	2,529
2021	(11,957)	(1,149)	1,961
2022	-	-	886
Thereafter	-	-	1,037

Actuarial Assumptions—The total pension liability/(asset) as of the measurement date were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liability/(asset) to the measurement date. The actuarial valuations used the following actuarial assumptions:

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.00%	7.50%
Salary scale	3.80%	1.90%-4.72%
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
Inflation rate	2.50%	2.50%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	Target Allocation		Long-Term Expected Real Rate of Return	
	ERS	TRS	ERS	TRS
Measurement date			March 31, 2017	June 30, 2016
Asset class:				
Domestic equities	36.0%	37.0%	4.6%	6.1%
International equities	14.0%	18.0%	6.3%	7.3%
Private equity	10.0%	7.0%	7.8%	9.2%
Real estate	10.0%	10.0%	5.8%	5.4%
Absolute return strategies	2.0%	20.0%	4.0%	1.9%
Opportunistic portfolio	3.0%	0.0%	5.9%	0.0%
Real assets	3.0%	0.0%	5.5%	0.0%
Bonds and mortgages	17.0%	8.0%	1.3%	3.1%
Cash	1.0%	0.0%	(0.3%)	0.0%
Inflation-indexed bonds	4.0%	0.0%	1.5%	0.0%
	100.0%	100.0%		

Discount Rate—The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to the Discount Rate Assumption—The chart below presents the County's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the County's proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.0% for ERS and 6.5% for TRS) or one percentage-point higher (8.0% for ERS and 8.5% for TRS) than the current assumption (dollars in thousands):

Governmental Activities ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	$ 275,801	$ 86,355	$ (73,821)

Business-type Activities ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	$ 26,479	$ 8,291	$ (7,087)

Business-type Activities TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability/(asset)	$ 13,640	$ 1,045	$ (9,519)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability/(asset) of the employers as of the valuation dates, were as follows (dollars in thousands):

	ERS	TRS	Total
Valuation date	April 1, 2016	June 30, 2015	
Employers' total pension liability/(asset)	$177,400,586	$108,577,184	$285,977,770
Plan fiduciary net position	168,004,363	107,506,142	275,510,505
Employers' net pension liability/(asset)	$ 9,396,223	$ 1,071,042	$ 10,467,265
System fiduciary net pension as a percentage of total pension liability/(asset) . . .	94.70%	99.00%	96.34%

Payables to the Pension Plan—For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31, payable in full by February 1. The County opted to prepay the required contribution on December 15th at an offered discount of 0.84%. Accrued retirement contributions as of December 31, 2017 are attributable entirely to the College (August 31, 2017) and represents the projected employer contribution for College's fiscal year of April 1, 2017 to August 31, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions for ERS at the end of the College's fiscal year amounted to $1,755,584.

For TRS, employer and employee contributions for the College fiscal year ended August 31, 2017 are paid to TRS in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of August 31, 2017 represent employee and employer contributions for the fiscal year ended August 31, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions for TRS as of August 31, 2017 amounted to $1,953,237.

B. **<u>Defined Contribution Plan</u>**

Teachers' Insurance and Annuity Association - College Retirement Equities Fund

Plan Description – TIAA-CREF is an optional retirement program ("ORP") authorized by the trustees of the State University of New York. The TIAA/CREF issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to the Teachers' Insurance and Annuity Association - College Retirement Equities Fund, 730 Third Avenue, New York New York, 10017.

Funding Policy – TIAA-CREF provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. TIAA-CREF is contributory for employees who joined after July 27, 1976, who contribute 3% of their salary. For employees enrolled after June 30, 1992, the College contributes 8% of salary for the first seven years of employment and 10% of salary thereafter. For employees enrolled between July 27, 1976 and June 30, 1992, the College contributes 9% of the first $16,500 in salary and 12% thereafter. Those joining after April 1, 2013 contribute a percentage ranging from 3% to 6%, based on salary for their entire length of service. Employee contributions are deducted from their salaries and remitted on a current basis to TIAA-CREF.

Contributions made by the College and its employees in the 2017 fiscal year were $1,896,246 and $104,609 respectively. The total unpaid balance of this retirement liability at August 31, 2017 was $11,617.

X - CONSTRUCTION AND OTHER COMMITMENTS

Construction Commitments – The County has a number of active construction projects at December 31, 2017. The amounts spent to date and remaining commitments (encumbrances) presented by major project groupings are as follows (dollars in thousands):

Projects	Spent-to-date	Remaining Commitments
General government buildings, equipment and improvements	$ 12,729	$ 10,199
Highways, roads, bridges and equipment	8,500	11,824
Sewers, facilities equipment and improvements	15,336	2,670
Special capital projects	21,627	3,217
Total	$ 58,192	$ 27,910

Operating Leases – Operating lease obligations are primarily for rental of space. Lease expenditures/expenses for the year were $5,143,727 for the primary government and approximately $3,300,000 for the ECMCC component unit. The future minimum rental payments required for non-cancelable operating leases are (dollars in thousands):

Fiscal Year	Primary Government	ECMCC Component Unit
2018	$ 1,996	$ 1,624
2019	1,239	1,278
2020	1,069	1,112
2021	851	747
2022	281	718
2023-2027	-	1,925
Totals	$ 5,436	$ 7,404

XI - RISK MANAGEMENT

A. Insurance

The County assumes the liability for most risk including, but not limited to, property damage, personal injury liability, medical malpractice, and workers' compensation. Asserted and incurred but not reported judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Such recording is consistent with the requirements of GAAP. Governmental fund type estimated current contingent loss liabilities for property damage, personal injury liability, medical malpractice, and workers' compensation are reported within governmental activities in the government-wide financial statements.

Loss contingency liabilities arising from operations of the College are recorded in accordance with GASB by the County and are reported in full within governmental activities in the government-wide financial statements and in the General Fund when payment is due. They are only recognized as a College liability when invoiced from the County.

B. Self-Insurance Programs

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; business interruption; errors or omissions; injuries to employees; and natural disasters. The County assumes the liability for risks relating to property damage, personal injury liability, medical malpractice and workers' compensation. The County has also elected to purchase some minor policies from commercial insurers to provide for items such as comprehensive crime and boiler/machinery coverage, as well as protection of valuable papers and records; settled claims have not exceeded commercial coverage in any of the past three fiscal years.

Judgments and claims are recognized as liabilities in the government-wide financial statements when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. These liabilities include an estimate of claims that have been incurred but not reported, and the effects of both specific, incremental claims adjustment expenditures/expenses and estimated recoveries on unsettled claims, if any. Judgments and claims reportable as part of the County's governmental type fund activities are recognized as expenditures and liabilities in the General Fund when payment is due.

The County Attorney is responsible for analyzing the County's judgments and claims and providing an opinion regarding the County's ability to cover its liabilities in the self-insurance programs. Based on this analysis, judgments and claims of $54,180,143 were recorded as governmental activities long-term liabilities at December 31, 2017.

In addition, the County has claims in the range of $2,052,000 to $17,209,000 for which there is a reasonable possibility of a future loss. No accrual has been recorded for such possible losses as of December 31, 2017.

The amounts and classifications of the judgments and claims noted above are based upon information and opinions from the County Attorney.

The changes since December 31, 2014 in the County's judgment and claims liability for risk financing activities were as follows (dollars in thousands):

Year	Beginning of Year Balance	Additions	Reductions	End of Year Balance
2015	$ 54,131	$ 14,513	$ 13,298	$ 55,346
2016	55,346	8,253	11,333	52,266
2017	52,266	13,716	11,802	54,180

Erie County Medical Center Corporation

Losses from asserted and unasserted claims identified under ECMCC's incident reporting system are accrued based on actuarial estimates that incorporate ECMCC's past experience, the nature of each claim or incident, relevant trend factors, and estimated recoveries on unsettled claims. Approximately $28,767,000 has been accrued at December 31, 2017, discounted at 2.00% and included as liabilities in the accompanying statement of net position. The County assumed ECMCC's malpractice liability for periods prior to 2004 and, under terms of a consent decree, has agreed to provide ECMCC indemnification for malpractice related exposures of up to $1,000,000 for each of 2006 and 2007. Approximately $732,000 and $387,000 of indemnification remains available for 2006 and 2007, respectively. No accrual has been recorded by the County for such possible losses. In addition, ECMCC has recorded liabilities of approximately $28,747,000 for workers' compensation related exposure, discounted at 1.25%. Effective January 1, 2012, ECMCC has a high deductible workers' compensation insurance policy.

XII - SHORT-TERM DEBT

Short-term debt of the County may include revenue, tax, and/or bond anticipation notes. These notes are reported as a fund liability in the fund receiving the proceeds in accordance with the criteria set forth in GASB Statement No. 62.

The following is a summary of changes in the County's short-term debt for the year ended December 31, 2017 (dollars in thousands):

Description	Balance 1/1/17	Issued	Redeemed	Balance 12/31/17
Bond anticipation notes-Sewer	$ 13,574	$ 1,591	$ 15,165	$ -
Revenue anticipation notes (RAN)	89,580	111,225	89,580	111,225
Total	$ 103,154	$ 112,816	$ 104,745	$ 111,225

The County issued non-interest bearing bond anticipation notes in the amount of $1,591,258 during the year ended December 31, 2017 that were purchased by the New York State Environmental Facilities Corporation. In November of 2017 the short-term BANS were converted to long-term bonds.

On September 28, 2017 Erie County issued a RAN totaling $111,225,000 with an interest rate of 2.00%. The RAN matures on June 30, 2018.

XIII - LONG-TERM LIABILITIES

A. Bonded Indebtedness

Bonded indebtedness is reported in the government-wide financial statements.

On July 18, 2017, the County issued $31,495,000 in Series 2017A, and $580,000 in Series 2017B general obligation serial bonds, all of which were issued for governmental activities. The serial bonds were issued at a premium of $6,489,897 and at an interest rate of 3.0%-5.0%. Principal payments on the bonds begin June 15, 2019 and will be fully matured on June 15, 2031.

On November 9, 2017 the County converted their bond anticipation notes (BAN) into bonds, through the NYS Environmental Facilities Corporation (EFC). The 2017C Series bonds were issued for $15,331,000 at an interest rate of 0.96%-3.98%. Principal payments on the bonds begin February 1, 2018 and will be fully matured on February 1, 2047.

The following is a summary of bond transactions of the County for the year ended December 31, 2017 (dollars in thousands):

Purpose (1)	Issue	Maturity	Interest Rate (%)	Balance 1/1/17	Additions	Reductions	Balance 12/31/17	Due Within One Year
Governmental activities general obligation bonds issued by County of Erie:								
Capital	1999	2018	0.00	$ 13	$ -	$ 6	$ 7	$ 7
Capital	2001	2031	0.00	2,690	-	164	2,526	165
Capital	2002	2031	1.362-5.082	770	-	50	720	50
Capital	2002	2024	2.521-6.181	2,245	-	245	2,000	255
Capital	2003	2032	1.031-4.901	830	-	40	790	40
Capital	2003	2029	2.549-6.259	8,105	-	720	7,385	740
Capital	2003	2032	0.00	265	-	16	249	16
Capital	2003	2032	0.790-4.612	770	-	40	730	40
Capital	2004	2033	1.02-4.63	715	-	35	680	35
Capital	2005	2034	1.56-4.57	2,122	-	91	2,031	96
Capital	2005	2033	2.06-4.13	1,710	-	80	1,630	85
Capital	2005	2035	3.50-5.00	9,400	-	9,400	-	-
Capital	2006	2035	0.00	1,170	-	-	1,170	-
Capital	2006	2017	3.50-4.00	1,560	-	1,560	-	-
Capital	2006	2036	3.50-4.25	3,425	-	3,425	-	-
Capital	2007	2036	3.63-4.79	3,820	-	155	3,665	155
Capital	2010	2023	2.00-4.99	98,525	-	12,160	86,365	12,725
Capital	2010	2039	0.290-4.60	4,795	-	145	4,650	150
Refunding	2010	2020	3.865-21.455	25,500	-	5,935	19,565	6,215
Refunding	2010	2022	2.001-5.00	11,520	-	6,870	4,650	1,535
Refunding	2010	2018	0.95-3.13	30	-	15	15	15
Refunding	2011	2018	1.01-3.30	115	-	100	15	15
Capital	2011	2040	0.00	428	-	18	410	18
Capital & Refunding	2011	2041	0.28-4.95	12,410	-	425	11,985	440
Refunding	2011	2018	2.00-5.00	14,290	-	6,970	7,320	7,320
Capital	2011	2023	3.00-5.00	10,950	-	1,355	9,595	1,420
Capital	2012	2026	2.00-5.00	17,085	-	1,370	15,715	1,425
Capital	2012	2042	0.27-4.27	2,830	-	75	2,755	80
Capital	2013	2024	2.726-5.00	21,240	-	2,295	18,945	2,375
Refunding	2013	2024	2.00-5.00	23,005	-	5,155	17,850	5,420
Capital	2013	2023	2.00-5.00	26,720	-	3,295	23,425	3,445
Capital	2014	2026	2.00-5.00	21,510	-	1,740	19,770	1,810
Capital	2014	2028	2.00-5.00	2,130	-	135	1,995	140
Capital	2015	2028	5.00	28,025	-	1,760	26,265	1,850
Refunding	2015	2029	5.00	22,210	-	2,510	19,700	2,545
Capital	2015	2028	3.00-5.00	2,045	-	140	1,905	145
Capital	2016	2029	4.00-5.00	30,705	-	-	30,705	1,945
Capital	2016	2028	3.00-5.00	2,060	-	-	2,060	145
Capital	2017	2031	3.00-5.00	-	32,075	-	32,075	-
Refunding	2017	2036	2.00-5.00	-	11,590	450	11,140	405
Capital	2017	2047	0.96-3.98	-	15,331	-	15,331	490
Totals carried forward				417,738	58,996	68,945	407,789	53,757

Purpose (1)	Issue	Maturity	Interest Rate (%)	Balance 1/1/17	Additions	Reductions	Balance 12/31/17	Due Within One Year
Totals brought forward				$ 417,738	$ 58,996	$ 68,945	$ 407,789	$ 53,757
Less bonds issued by the County to ECFSA (mirror bonds):								
Capital	2010	2023	2.00-4.99	(98,525)	-	(12,160)	(86,365)	(12,725)
Refunding	2010	2020	3.865-21.455	(25,500)	-	(5,935)	(19,565)	(6,215)
Refunding	2010	2022	2.00-5.00	(11,520)	-	(6,870)	(4,650)	(1,535)
Refunding	2011	2018	2.00-5.00	(14,290)	-	(6,970)	(7,320)	(7,320)
Capital	2011	2023	3.00-5.00	(10,950)	-	(1,355)	(9,595)	(1,420)
Capital	2013	2024	2.726-5.00	(21,240)	-	(2,295)	(18,945)	(2,375)
Refunding	2013	2024	2.00-5.00	(23,005)	-	(5,155)	(17,850)	(5,420)
Capital	2013	2023	2.00-5.00	(26,720)	-	(3,295)	(23,425)	(3,445)
Capital	2017	2031	3.00-5.00	-	(32,075)	-	(32,075)	-
Refunding	2017	2036	0.96-3.98	-	(11,590)	(450)	(11,140)	(405)
Total mirror bonds				(231,750)	(43,665)	(44,485)	(230,930)	(40,860)
Net general obligation bonds issued by County of Erie				185,988	15,331	24,460	176,859	12,897
Governmental activities general obligation bonds issued by ECFSA:								
Capital	2010	2023	2.0-5.0	52,230	-	12,160	40,070	12,725
Refunding	2010	2020	2.25-5.24	25,500	-	5,935	19,565	6,215
Refunding	2010	2022	2.0-5.0	11,520	-	6,870	4,650	1,535
Refunding	2011	2018	2.00-5.00	14,290	-	6,970	7,320	7,320
Capital	2011	2023	2.00-5.00	10,950	-	1,355	9,595	1,420
ECMCC facility	2011	2028	4.00-5.00	70,355	-	70,355	-	-
Capital	2013	2024	2.00-5.00	21,240	-	2,295	18,945	2,375
Refunding	2013	2024	2.00-5.00	23,005	-	5,155	17,850	5,420
Capital	2013	2023	2.00-5.00	26,720	-	3,295	23,425	3,445
Refunding	2016	2023	3.375-5.00	44,335	-	-	44,335	-
Capital	2017	2031	4.00-5.00	-	32,075	-	32,075	-
Refunding	2017	2036	2.00-5.00	-	11,590	450	11,140	405
ECMCC facility	2017	2034	3.00-5.00	-	62,745	-	62,745	2,505
ECMCC capital	2017	2039	3.00-5.00	-	92,115	-	92,115	500
Total general obligation bonds issued by ECFSA				300,145	198,525	114,840	383,830	43,865
Total general obligation bonds issued by County of Erie and ECFSA				486,133	213,856	139,300	560,689	56,762
Premium on bond issuance				18,474	-	1,744	16,730	-
Premium on bond issuance-ECFSA				26,148	35,606	13,691	48,063	-
Total County of Erie and ECFSA bonds payable-net				530,755	249,462	154,735	625,482	56,762
Governmental activities bonds issued by ETASC(2):								
Tobacco refunding	2005	varies	varies	238,105	-	1,950	236,155	-
Subordinate CABs	2005	varies	varies	32,870	-	-	32,870	-
Subordinate CABs	2006	varies	varies	17,695	-	-	17,695	-
Subordinate CABs	2005-06	varies	varies	55,382	7,346	-	62,728	-
Subtotal bonds issued by ETASC				344,052	7,346	1,950	349,448	-
Discount on ETASC bonds				(9,420)	-	(77)	(9,343)	-
Discount on ETASC subordinate CABs				(1,473)	-	(17)	(1,456)	-
Total ETASC bonds payable-net				333,159	7,346	1,856	338,649	-
Governmental activities bonds payable for financial statement purposes				$ 863,914	$ 256,808	$ 156,591	$ 964,131	$ 56,762

(Concluded)

(1) Capital–Capital acquisition and construction.
(2) Refer to discussion within Note XIII(B) regarding outstanding ETASC bonds payable, including Capital Appreciation Bonds (“CABs”).

B. Erie Tobacco Asset Securitization Corporation (a Blended Component Unit)

In 2000, ETASC issued $246,325,000 of Tobacco Settlement Asset-Backed Bonds, Series 2000 pursuant to an indenture dated as of September 1, 2000 (the "Indenture"). The $246,325,000 bond issuance was comprised of $196,985,000 Tobacco Settlement Asset-Backed Bonds Series 2000A and $49,340,000 Tobacco Settlement Asset-Backed Bonds Series 2000B. The net proceeds of the Series 2000 Bonds were used to purchase from the County all of the County's right, title and interest to Tobacco Settlement Revenues ("TSRs") to which the County would otherwise be entitled under the Master Settlement Agreement ("MSA") and Consent Decree and Final Judgment (the "Decree").

On August 15, 2005, ETASC issued $318,834,680 in Tobacco Settlement Asset-Backed Bonds (series 2005A, E) and Capital Appreciation Bonds ("CABs") (Series 2005B, C, D) with interest rates ranging from 5.0% to 6.75% to advance refund $239,060,000 of outstanding Series 2000 Tobacco Settlement Asset-Backed bonds bearing interest rates ranging from 5.0% to 6.5% originally issued in 2000. The net proceeds amounted to $305,330,026 after original issuance discount and payment of $13,504,654 for underwriting fees, insurance, and other issuance costs, of which $267,037,311 was used to fund an irrevocable trust to defease the remaining original bonds. This transaction enabled the ETASC to release $55,231,709 in previously restricted funds for debt service and trapping events to the County.

In connection with this bond issuance, ETASC entered into a forward purchase agreement and an effective swap of variable market rate returns with a fixed rate return that will expire by its terms on the final maturity of the asset-backed bonds on June 1, 2055. ETASC entered into this forward purchase agreement to facilitate investment of the monies in the Debt Service Reserve Fund while the 2005 ETASC bonds are outstanding.

ETASC has evaluated the forward purchase agreement using the consistent critical terms method and deemed it to be effective. As of December 31, 2017, the notional amount of the agreement totals $19,218,750, the fair value is $8,973,868, and net cash flows during the year totaled $509,385.

The forward purchase agreement is valued using quoted prices for similar assets or liabilities in active markets (Level 2 input - See Note III).

On September 15, 2005, ETASC entered into an agreement with the bondholders to replace the government securities in the irrevocable trust with government agency securities. This transaction generated a savings of $2,802,806. Of this, $1,331,893 was transferred to the County and the remainder less costs of sale was paid to the bondholders for their concessions. During 2010, the bonds were called and the balance in the irrevocable trust was used to satisfy all required debt payments.

On January 5, 2006, ETASC issued $17,694,720 of Tobacco Settlement Asset-Backed CABs, Series 2006A with an interest rate of 7.65%. ETASC entered into a purchase and sale agreement with the County on January 1, 2006, in which ETASC purchased the County's sole undivided beneficial interest in and to the trust established by ETASC pursuant to the Declaration and Agreement of Trust dated September 1, 2000 between ETASC and the Wilmington Trust Company ("2000 Residential Trust"), in its capacity as trustee, including the County's right to receive residual tobacco settlement revenues payable to the County, as sole beneficiary of the 2000 Residential Trust. The net proceeds of $15,638,465 were transferred to the County's General Fund.

The payment of the Series 2005 and Series 2006 Bonds is dependent on the receipt of TSRs. The amount of TSRs actually collected is dependent on many factors including cigarette consumption and the continued operations of the participating cigarette manufacturers in the MSA. Such bonds are secured by and payable solely from TSRs and investment earnings pledged under the Indenture and amounts established and held in accordance with the Indenture, and are not legal obligations of the County. ETASC has no financial assets other than the collections and reserves and amounts held in the other funds and accounts established under the Indenture.

ETASC has covenanted to apply 100% of all surplus revenues (defined as revenues which are in excess of Indenture requirements for the funding of operating expenses and deposits in the Debt Service account maintained for the funding of interest, principal and other items) to the special mandatory par redemption ("Turbo Redemptions") of Series 2005 Bonds in order of their maturity and then to the Series 2006A Bonds to the extent that there exists excess funds. Any such surplus revenues shall be applied on each distribution date beginning on June 1, 2006.

Interest on the Series 2005A and E Bonds are payable each June 1 and December 1. The 2005 Series B, C and D and the Series 2006A are subordinate CABs and accrue interest throughout the life of the bonds but is not payable until bond maturity. Future interest accretion has been recorded as bond discount and amortized as the current interest accretes. The accreted interest on the Subordinate CABs is reflected within the Subordinate CABs payable liability. Series 2005B, C, and D CABs are subject to redemption at the option of ETASC beginning in years after 2016. The Series 2006A CABs may be redeemed after May 31, 2017.

Details of ETASC's long-term debt as of December 31, 2017 are as follows:

		$318,834,680 Term Bond	
Issue Amount	Rate	Description	Projected Final Turbo Redemption Date
$ 30,330,000	5.000%	Series 2005A Bonds Due June 1, 2031 Semi-annual interest only payments through maturity, may be redeemed at the option of the ETASC at anytime in whole or in part after June 1, 2015	June 1, 2031
74,685,000	5.000%	Series 2005A Bonds Due June 1, 2038 Semi-annual interest only payments through maturity, may be redeemed at the option of the ETASC at anytime in whole or in part after June 1, 2015	June 1, 2038
111,480,000	5.000%	Series 2005A Bonds Due June 1, 2045 Semi-annual interest only payments through maturity, may be redeemed at the option of the ETASC at anytime in whole or in part after June 1, 2015	June 1, 2045
9,163,000	5.750%	Series 2005B Bonds Due June 1, 2047 Semi-annual interest accrued but not payable until maturity, subject to redemption at the option of ETASC anytime after June 1, 2015 at accreted values as follows: June 1, 2015 through May 31, 2016, 102%; June 1, 2016 through May 31, 2017, 101%; June 1, 2017 and thereafter, 100%	June 1, 2047
12,565,080	6.250%	Series 2005C Bonds Due June 1, 2050 Semi-annual interest accrued but not payable until maturity, subject to redemption at the option of ETASC anytime after June 1, 2015 at accreted values as follows: June 1, 2015 through May 31, 2016, 102%; June 1, 2016 through May 31, 2017, 101%; June 1, 2017 and thereafter, 100%	June 1, 2050
11,141,600	6.750%	Series 2005D Bonds Due June 1, 2055 Semi-annual interest accrued but not payable until maturity, subject to redemption at the option of ETASC anytime after June 1, 2015 at accreted values as follows: June 1, 2015 through May 31, 2016, 102%; June 1, 2016 through May 31, 2017, 101%; June 1, 2017 and thereafter, 100%	June 1, 2055
69,470,000	6.000%	Series 2005E Taxable Bonds Due June 1, 2028 Semi-annual interest only payments through maturity, may be redeemed at the option of the ETASC at anytime in whole or in part after June 1, 2015	June 1, 2028

(Continued)

$17,694,720 Term Bond			
Issue Amount	Rate	Description	Projected Final Turbo Redemption Date
$ 17,694,720	7.650%	Series 2006A Taxable Bonds Due June 1, 2060 Semi-annual interest accrued but not payable until maturity, subordinate to the Series 2005 A-E Bonds, subject to redemption at the option of the ETASC anytime after June 1, 2016 at accreted values as follows: June 1, 2016 through May 31, 2017, 102%; June 1, 2017 through May 31, 2018, 101%, and June 1, 2018 and thereafter, 100%	June 1, 2060

(Concluded)

Changes in ETASC bonded indebtedness for the year ended December 31, 2017 were as follows (dollars in thousands):

	Tobacco Settlement Bonds	Subordinate CABs	Total
Bonds payable at January 1, 2017	$ 238,105	$ 105,947	$ 344,052
Principal payments during 2017	(1,950)	-	(1,950)
Annual net interest accretion	-	7,346	7,346
Bonds payable at December 31, 2017	$ 236,155	$ 113,293	$ 349,448

The amount reflected in the statement of net position for ETASC's bonds payable is net of unamortized discounts on the sale of bonds totaling $10,798,603.

The ETASC's debt service requirements for the Series 2005A and 2005E bonds as of December 31, 2017 are as follows (dollars in thousands):

Year ending December 31,	Principal	Interest	Total Debt Service
2018	$ -	$ 12,004	$ 12,004
2019	-	12,004	12,004
2020	-	12,004	12,004
2021	-	12,004	12,004
2022	-	12,004	12,004
2023-2027	-	60,022	60,022
2028-2032	49,990	52,439	102,429
2033-2037	-	46,541	46,541
2038-2042	74,685	29,737	104,422
2043-2045	111,480	13,937	125,417
	$ 236,155	$ 262,696	$ 498,851

C. **Erie County Medical Center Corporation**

Long-term Debt – The following is a summary of long-term bonded debt at December 31, 2017:

Erie County—Guaranteed Senior Revenue Bonds, Series 2004 (interest of 4.1% to 5.7%)	$ 78,910,000

The Series 2004 bonds are secured by a pledge of the gross receipts of ECMCC and amounts on deposit in certain debt service reserve funds. To the extent that the debt service reserve funds fall below their requirements, the County has agreed to restore such accounts to their requirement.

Pursuant to a Guaranty Agreement, the County has unconditionally guaranteed to ECMCC the punctual payment of the principal, interest and redemption premium, if any, on the Series 2004 Bonds, as the same shall become due and payable, and has pledged the faith and credit of the County for the performance of such guaranty. A municipal bond insurance policy has been purchased by ECMCC to guarantee all debt service payments in case of default by ECMCC and the County.

The Series 2004 Bonds require ECMCC to make monthly payments to certain debt service accounts for the semiannual payment of interest and the annual payment of principal (principal payments commenced November 1, 2009).

D. **Other Long-Term Liabilities**

In addition to bonded indebtedness, the County incurs a variety of other long-term liabilities. Descriptions of these liabilities follow:

1. Due to Retirement Systems

Retirement payables of the primary government at December 31, 2017 for amounts due in 2018 and future years are reported in the government-wide financial statements as follows (dollars in thousands):

	Business-type Activities*
Retirement liability outstanding at year-end	$ 3,720
Less: Due within one year	3,504
Due in more than one year	$ 216

* The College (August 31, 2017)

The College has recorded the above retirement liabilities as long-term liabilities on the statement of net position.

2. Compensated Absences

The value recorded in the government-wide financial statements for compensated absences at December 31, 2017, for governmental activities is $22,662,964 classified as a long-term liability in the accompanying financial statements, which includes $13,116,282 due within one year. The following governmental funds have been used in prior years to liquidate this liability: General Fund and the Road, Sewer, E-911, Grants and Community Development Special Revenue Funds.

Compensated absences of $3,247,123 have been reported for business-type activities, classified as fringe benefits payable, on the fund financial statements, which includes $305,000 due within one year.

Compensated absences of the Library component unit totaling $1,418,709 have been reported as a long-term liability, which includes $768,094 due within one year. Compensated absences of the ECMCC component unit totaling approximately $11,506,000 have been reported as an accrued liability.

3. <u>Judgments and Claims</u>

As further explained in Note XI, the County is self-insured. Liabilities are established for workers' compensation, general and malpractice claims in accordance with GAAP. Estimated long-term contingent loss liabilities of governmental fund types total $53,153,143 and have been reported as long-term liabilities in the government-wide financial statements.

Also, as further explained in Notes XI and XIII (E) (4), ECMCC is self-insured and has recorded approximately $27,573,000 and $22,967,000 for the long-term portions of medical malpractice and workers' compensation liability related exposures, respectively.

4. <u>Other Post-employment Benefits ("OPEB") – Health Insurance</u>

The County has a single-employer post-employment benefit plan. The County recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, and commenced with the 2007 liability.

Plan Description – The County provides continuation of medical insurance coverage to employees if they have been continuously employed by the County for the equivalent of at least five years at the time of retirement. The obligation of the County to contribute to the cost of these benefits has been established pursuant to legislative resolution and various collective bargaining agreements. The retiree and his or her beneficiaries receive this coverage for the life of the retiree. Healthcare benefits for non-union employees are similar to those of union employees. The retiree's share of premium costs in most instances range from 0% to 50% depending on the employee group, length of service and year of retirement.

Funding Policy – The County currently pays for Governmental Activities post-employment health care benefits on a pay-as-you-go basis, primarily from the General Fund (86%). The remainder is allocated to the Road, Sewer, E-911, Grants and Community Development Special Revenue Funds. These financial statements assume that pay-as-you-go funding will continue.

Annual Other Post-employment Benefit Cost – For the fiscal year ended December 31, 2017, the County's annual OPEB cost (expense) of $83,663,569 is equal to the Annual Required Contribution ("ARC") of $90,568,500, minus certain adjustments which totaled $6,904,931. Those adjustments were: interest on the net OPEB obligation and adjustment to the ARC. Considering the annual expense as well as payments for current health insurance premiums, which totaled $33,172,401 for retirees and their beneficiaries, the result was an increase in the net OPEB obligation of $50,491,168 for the year ended December 31, 2017.

Annual OPEB Cost and Net OPEB Obligation (dollars in thousands)

	Governmental Activities	Business-type Activities *	Primary Government Total
Actuarial accrued liability (AAL)	$ 922,947	$ 159,805	$ 1,082,752
Unfunded actuarial accrued liability (UAAL)	922,947	159,805	1,082,752
Normal cost for the fiscal year	31,941	7,012	38,953
Amortization factor based on 30 years	17.40	17.40	17.40
Annual covered payroll	209,308	58,951	268,259
UAAL as a percentage of covered payroll	440.95%	271.08%	403.62%

Level Dollar Amortization
Calculation of ARC under Projected Unit Credit Method

	Governmental Activities	Business-type Activities *	Primary Government Total
ARC normal cost with interest to end of year	$ 31,941	$ 7,012	$ 38,953
UAAL over 30 years with interest at end of year	58,627	9,813	68,440
Annual required contribution (ARC)	90,568	16,825	107,393
Interest on net OPEB obligation	17,512	3,162	20,674
Adjustment to ARC	(24,417)	(4,409)	(28,826)
Annual OPEB cost (expense)	83,663	15,578	99,241
Contribution for fiscal year ended December 31, 2017	(33,172)	(5,500)	(38,672)
Increase in net OPEB obligation	50,491	10,078	60,569
Net OPEB obligation December 31, 2016	407,253	73,536	480,789
Net OPEB obligation December 31, 2017	$ 457,744	$ 83,614	$ 541,358
Percentage of ARC contributed	36.63%	32.69%	36.01%
Percent of annual OPEB cost contributed:			
2017	39.65%	35.31%	38.97%
2016	41.61%	43.75%	41.94%
2015	51.94%	55.77%	52.51%

* The College (August 31, 2017)

Funded Status and Funding Progress – As of January 1, 2016, the most recent actuarial valuation date, the funded status of the plan was as follows (dollars in thousands):

Actuarial accrued liability (AAL)	$ 1,050,089
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 1,050,089
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Annual covered payroll	$ 267,195
UAAL as a percentage of covered payroll	393.00%

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended December 31, 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2017	$ 99,241	38.97%	$ 541,358
12/31/2016	91,484	41.94%	480,789
12/31/2015	72,307	52.51%	427,676

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) and on the historical pattern of cost sharing between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Included coverages are "experience-rated" and annual premiums for experience-rated coverages were used as a proxy for claims costs with age adjustments for pre-65 and post-65 participants. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis.

In the January 1, 2016 actuarial valuation, the liabilities were computed using the projected unit credit method. The actuarial assumptions utilized an inflation rate of 2.25% and a 4.30% investment rate of return. The latter rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. Because the County does not currently segregate funding for these benefits, the rate selected is the expected return on the County's assets. The valuation assumes healthcare cost trends as follows: pre-65 medical, 7.50%; post-65 medical, 5.80% and prescription, 10.50%. Healthcare trends are reduced by decrements to reach a rate of 3.886% in 2075.

Medical Reimbursements – The County's Medicare Part D prescription drug subsidy, which reduces the cost of retiree healthcare premiums, is accrued as revenue only in the current year. Projected subsidies for future years cannot be recognized as a reduction to the actuarial accrued liability.

E. Summary of Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2017 (dollars in thousands):

1. Governmental Activities

	Balance 1/1/17	Additions	Reductions	Balance 12/31/17	Due Within One Year
Bonds payable for financial statement purposes	$ 863,914	$ 256,808	$ 156,591	$ 964,131	$ 56,762
Compensated absences	22,977	18,482	18,796	22,663	13,116
Judgments and claims	52,266	13,716	11,802	54,180	11,375
OPEB liability	407,253	83,663	33,172	457,744	-
Net pension liability *	145,614	-	59,259	86,355	-
Accrued derivative liability - ETASC	8,962	12	-	8,974	-
Governmental activities long-term liabilities	$ 1,500,986	$ 372,681	$ 279,620	$ 1,594,047	$ 81,253

* Reductions to the net pension liability are shown net of additions.

The General Fund or applicable special revenue funds are the governmental funds that generally have been used in prior years to liquidate compensated absences, judgments and claims, other post-employment benefit and net pension liabilities.

2. Business-Type Activities*

	Balance 9/1/16	Additions	Reductions	Balance 8/31/17	Due Within One Year
Retirement liabilities	$ 4,343	$ 6,756	$ 7,379	$ 3,720	$ 3,504
Compensated absences and fringe benefits	4,497	161	415	4,243	305
Capital leases	1,477	-	1,477	-	-
OPEB liability	73,536	15,578	5,500	83,614	-
Net pension liability**	14,883	-	5,547	9,336	-
Business-type activities long-term liabilities	$ 98,736	$ 22,495	$ 20,318	$ 100,913	$ 3,809

* The College (August 31, 2017)
** Reductions to the net pension liability are shown net of additions.

3. Library Component Unit

	Balance 1/1/17	Additions	Reductions	Balance 12/31/17	Due Within One Year
Compensated absences	$ 1,504	$ 872	$ 957	$ 1,419	$ 768
OPEB liability	27,129	4,999	1,466	30,662	-
Net pension liability*	7,254	-	2,885	4,369	-
Library Component Unit long-term liabilities	$ 35,887	$ 5,871	$ 5,308	$ 36,450	$ 768

* Reductons to the net pension liability are shown net of additions.

4. ECMCC Component Unit

	Balance 1/1/17	Additions	Reductions	Balance 12/31/17	Due Within One Year
Bonds payable for financial statement purposes	$ 81,930	$ -	$ 3,020	$ 78,910	$ 3,185
Long-term loan (1)	75,811	182,140	78,030	179,921	4,095
Other Loan	8,100	-	67	8,033	810
Capital Lease	8,142	-	2,500	5,642	2,217
Judgments and claims (2).	51,584	8,091	9,135	50,540	-
OPEB liability.	138,557	26,902	14,759	150,700	
Net pension liability	116,006	-	44,462	71,544	-
Other	3,474	-	78	3,396	-
ECMCC Component Unit long-term liabilities	$ 483,604	$ 217,133	$ 152,051	$ 548,686	$ 10,307

(1) Refer to discussion within Note XV(B) regarding long-term loan due to primary government.
(2) Refer to discussions within Notes XI(B) and XIII(D)(3) and regarding judgments and claims of ECMCC.

Additional judgments and claims liabilities for workers' compensation and medical malpractice, along with other post-employment benefits have been recorded by ECMCC as accrued liabilities in the amounts of $5,780,000, $1,194,000 and $10,777,000 respectively.

F. Maturity Schedules (dollars in thousands)

1. Remaining Annual Maturities of Long-Term Liabilities (by Debt Type) – Primary Government

Year	Total	Bonds	Retirement	Compensated Absences and Fringe Benefits	Judgments and Claims	OPEB	Net Pension Liability	Accrued Derivative Liability - ETASC
2018	$ 85,062	$ 56,762	$ 3,504	$ 13,421	$ 11,375	$ -	$ -	$ -
2019	53,516	53,300	216	-	-	-	-	-
2020	54,736	54,736	-	-	-	-	-	-
2021	43,463	43,463	-	-	-	-	-	-
2022	45,469	45,469	-	-	-	-	-	-
2023-2027 . .	141,147	141,147	-	-	-	-	-	-
2028-2032 . .	125,117	125,117	-	-	-	-	-	-
2033-2037 . .	58,691	58,691	-	-	-	-	-	-
2038-2042 . .	103,514	103,514	-	-	-	-	-	-
2043-2047 . .	114,645	114,645	-	-	-	-	-	-
2048-2052 . .	21,728	21,728	-	-	-	-	-	-
2053-2057 . .	11,142	11,142	-	-	-	-	-	-
2058-2060 . .	17,695	17,695	-	-	-	-	-	-
Various (1) . .	765,041	62,728	-	13,485	42,805	541,358	95,691	8,974
	1,640,966	910,137	$ 3,720	$ 26,906	$ 54,180	$ 541,358	$ 95,691	$ 8,974

Total	Bonds	
(10,798)	(10,799)	Remaining unamortized discount on bond issuance - ETASC
(16,730)	16,730	Remaining unamortized premium of bond issuance
(48,062)	48,063	Remaining unamortized premium of bond issuance - ECFSA
$ 1,565,376	$ 964,131	Long-term liabilities for financial statement purposes

(1) Payment of Subordinate CABs, compensated absences, judgments and claims, OPEB, and net pension liabilities are dependent upon many factors; therefore, timing of future payments is not readily determinable.

2. Annual Interest Payments Due on Serial Bonds

Year	Primary Government	ECMCC Component Unit
2018	$ 33,651	$ 4,445
2019	30,761	4,270
2020	32,555	4,085
2021	30,219	3,890
2022	28,053	3,685
2023-2027	113,726	13,605
2028-2032	81,214	8,778
2033-2037	61,512	412
2038-2042	32,666	-
2043-2047	14,256	-
Totals	$ 458,613	$ 43,170

3. Principal and Interest Payments Due on County Mirror Bonds to ECFSA

Year	Principal	Interest
2018	$ 40,860	$ 10,946
2019	36,875	8,474
2020	38,405	6,710
2021	25,760	5,144
2022	26,995	3,859
2023-2027	43,680	7,285
2028-2032	15,670	2,124
2033-2036	2,685	176
Totals . . .	$ 230,930	$ 44,718

4. Remaining Annual Maturities of Long-Term Liabilities - Library Component Unit

Year	Total	Compensated Absences	OPEB	Net Pension Liability
2018	$ 768	$ 768	$ -	$ -
Various (1) . . .	35,682	651	30,662	4,369
Totals . . .	$ 36,450	$ 1,419	$ 30,662	$ 4,369

(1) Payment of compensated absences, OPEB and net pension liabilities are dependent on many factors; therefore, timing of future payments is not readily determinable.

5. Remaining Annual Maturities of Long-Term Liabilities - ECMCC Component Unit

Year	Total	Serial Bonds	Long-term Loan	Capital Lease	Judgments and Claims	OPEB	Net Pension Liability	Other
2018	$ 10,307	$ 3,185	$ 4,905	$ 2,217	$ -	$ -	$ -	$ -
2019	18,064	3,360	12,435	2,269	-	-	-	-
2020	10,615	3,545	5,914	1,156	-	-	-	-
2021	10,556	3,740	6,816	-	-	-	-	-
2022	10,935	3,945	6,990	-	-	-	-	-
2023-2027 . . .	61,038	23,260	37,778	-	-	-	-	-
2028-2032 . . .	73,719	30,655	43,064	-	-	-	-	-
2033-2037 . . .	59,595	7,220	52,375	-	-	-	-	-
2038-2039 . . .	17,677	-	17,677	-	-	-	-	-
Various (1). . .	276,180	-	-	-	50,540	150,700	71,544	3,396
Totals . .	$ 548,686	$ 78,910	$ 187,954	$ 5,642	$ 50,540	$ 150,700	$ 71,544	$ 3,396

(1) Payment of judgments and claims, OPEB and net pension liabilities is dependent on many factors; therefore, timing of future payments is not readily determinable.

G. Permanent Financing Requirements

Under New York State statutes, permanent bonding of general County improvements must take place within five to seven years of the date of initial financing. Specially assessed improvements, (e.g., sewer), have no limitation as to their period of temporary financing, except that a three-year limitation exists where such financing has been obtained through the New York State Environmental Facilities Corporation. The County has permanently financed all significant indebtedness subject to this permanent financing statute.

H. Constitutional Debt Limit

The County constitutional debt limit at December 31, 2017 is computed as follows (dollars in thousands):

Five-year average full valuation of taxable real estate (2013-2017)	$ 50,248,169	
Debt limit @ 7%	$ 3,517,372	
Net indebtedness (after statutory exclusions)	486,699	*
Net debt contracting margin	$ 3,030,673	
Percentage of debt contracting power exhausted	13.84%	

*Net indebtedness includes general obligation bonds of $327,405,000, sewer bonds of $80,384,000 and ECMCC bond guaranty of $78,910,000 (excludes RAN of $111,225,000, ETASC bonds of $349,447,400 to be paid with tobacco settlement proceeds by ETASC and ECFSA bonds of $92,115,000 for capital projects and $62,745,000 for the nursing home refunding, totaling $154,860,000 to be paid by ECMCC. The capital projects bonds will mature in September 2039 while the refunding bonds will mature in September 2034).

I. Defeasance

In the prior year, the Authority defeased serial bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 2017, $46,295,000 of defeased bonds remain outstanding, with a call date of May 15, 2020 – 2023.

J. Current Refunding

In July 2017, the County of Erie issued $11,590,000 in general obligation bonds to refund $12,825,000 of outstanding bonds. The net proceeds of $12,963,559 were deposited into an Escrow Deposit Fund. The moneys deposited constituted an irrevocable deposit and remained there uninvested and without liability for interest, in an amount that was sufficient to pay the redemptive price of the refunded bonds and all accumulated interest up to the date fixed for redemption.

The County of Erie elected to call and redeem on August 17, 2017 all of the outstanding aggregate principal amount of the $12,825,000 refunded serial bonds at par plus accrued interest to the redemption date.

The County completed the current refunding to reduce its total debt service payments over the next 21 years by $2,931,098 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $2,286,030.

K. ECFSA Transactions

The County entered into a loan agreement and a capitalized interest liability assumption agreement with the Erie County Medical Center, with the assistance of the Erie County Fiscal Stability Authority. The proceeds of the loan were used to finance the construction of a new Level 1 Adult

Trauma Center and Emergency Department, fund various other capital projects on the Erie County Medical Center's campus as well as refinance the 2011 loan. The loan has an interest rate of 3.377% with monthly principal and interest payments ranging from $38 to $930 during the term of the loan. In addition to the loan, the Erie County Medical Center assumed the liability related to funds borrowed to pay capitalized interest during construction on the various projects noted above. The capitalized interest liability assumption has an interest rate of 3.377% with monthly principal and interest payments ranging from $3 to $77 during the term of the loan. The new money portion of the loan and the capitalized interest assumption agreement is fully amortized and matures in 2039. The refinancing component of the loan has an interest rate of 2.649% with monthly principal and interest payments ranging from $300 to $460 during the term of the loan and is fully amortized and maturing in 2034.

In September 2017, the Authority issued $62,745,000 in sales tax and State aid secured refunding bonds with interest rates ranging from 3.0% to 5.0% to advance refund $70,355,000 of outstanding Series 2011C serial bonds with interest rates of 5.0%. Proceeds of $79,884,255 (including a premium of $11,621,859 and other debt set-aside funds of $5,517,396) were used to purchase U.S. Government Securities of $79,491,279 and to fund estimated costs of issuance in the amount of $392,976. The securities were placed in an irrevocable trust with an escrow agent to pay for all future debt service payments of the original bonds until their call date of December 1, 2021. As a result, the original bonds are considered to be defeased and the liability has been removed from the financial statements. The amount outstanding on the original bonds at December 31, 2017 was $65,935,000.

XIV – NET POSITION AND FUND BALANCE

A. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the County not restricted for any project or other purpose.

B. Fund Balance

In the governmental fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the County at December 31, 2017 includes:

Prepaid Items – $12,251,851 representing amounts prepaid to vendors and the New York State and Local Employees' Retirement System that are applicable to future accounting periods.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balance of the County at December 31, 2017 includes:

> *Handicapped Parking* – $161,655 representing monies restricted for education, advocacy and increased public awareness of handicapped parking laws.
>
> *Community Development Loans* – $30,006,869 representing amounts offset for community development loans receivable, which are legally required to be maintained intact.
>
> *Debt Service* – $45,060,469 representing funds to be used toward the future repayment of bonded debt service.
>
> *Capital Expenditures* – $98,196,660 representing funds that have been reserved to fund capital projects and the purchase of capital assets. This amount includes commitments (encumbrances) of $27,909,713 for capital projects currently in process.

The County Legislature authorizes assigned amounts of fund balance. Assigned funds represent amounts intended to be used for a specific purpose. In the fund financial statements, assignments by the County at December 31, 2017 include:

> *Subsequent Year's Expenditures* – Represents available fund balance of $22,227,476 appropriated to meet expenditure requirements in the 2017 year.
>
> *Judgments and Claims* – Represents amounts to fund future settlements of various claims and litigation in the amount of $1,500,000.
>
> *Other Purposes* – Includes amounts assigned for supplemental appropriations ($15,246,437) within the 2018 year which were approved by the Legislature subsequent to the adoption of the 2018 budget, amounts to cover the County's cost of road repairs ($2,371,502), encumbrances ($5,783,843) and positive residual balances ($22,271,655) in Special Revenue Funds; and General Fund encumbrances ($1,100,045).

Accounting prescription set by the Erie County Comptroller provides for a sunset provision of one fiscal year for all fund balance assignments. Legislature approval is required to establish and subsequently appropriate fund balance assignments.

The County considers encumbrances to be significant for amounts that are encumbered in excess of $1,000,000 for a particular purpose. As of December 31, 2017, significant encumbrances are as follows (dollars in thousands):

Purpose	Other Governmental Funds
Community Development Block Grant Van Program.	1,009
Renovation to Lab & Medical Exam Facility.	1,195
Goodrich Rd Construction and Preservation	4,140
Stony Rd Bridge Construction and Preservation	1,375
Countywide Highway Vehicle & Equipment Replacement	1,839
Countywide Capital Overlay Program	1,031
Sewer District #3 Construction and Improvements	1,767
ECC - New Academic Building.	2,945
Total	$ 15,301

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, it is the County's policy that the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

XV - INTERFUND BALANCES AND TRANSACTIONS

A. Interfund Receivables and Payables

Interfund receivables and payables of the County at December 31, 2017, and the College at August 31, 2017, consisted of the following (dollars in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	ECFSA General.	$ 52,774
	Nonmajor Governmental Funds	39,668
	College	2,594
	Nonmajor Proprietary Fund	8,901
		103,937
Nonmajor Governmental Funds	Nonmajor Governmental Funds	55,263
College	General Fund	102
Nonmajor Proprietary Fund	College	2
	General Fund	857
		859
Total receivables		160,161
Plus: timing differences		(541)
Total payables		$ 159,620

Interfund receivables exceed interfund payables by $541,091. This difference represents interfund receivables in the amounts of $486,541 and $54,550 recorded by the County and the College, respectively, that are not reflected as interfund payables in the corresponding balance sheets because of the difference between the County and the College fiscal year end.

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

B. Due To/From Component Unit and Primary Government

Amounts due between the component units and the primary government at December 31, 2017, consisted of the following (dollars in thousands):

Receivable Entity	Payable Entity	Amount
Primary Government-Governmental Activities	ECMCC Component Unit	$ 179,921
Primary Government-Nonmajor Governmental Fund	ECMCC Component Unit	$ 185
Primary Government-Nonmajor Proprietary Fund	ECMCC Component Unit	$ 10,934
ECMCC Component Unit	Primary Government-Governmental Activities. .	$ 22,105

During 2011, the ECFSA issued serial bonds in the amount of $86,250,000 to assist ECMCC in the construction of a new residential health care facility. Loan agreements were executed whereby the ECFSA loaned the proceeds and net premium of $10,614,413 to the County, who in turn loaned the monies to ECMCC. In 2017, these serial bonds were refunded through a similar agreement. The par amount of the refunded bonds issued was $62,745,000. Although the amortization schedules on the bonds and the loan are approximately the same in total, the principal and interest components vary. On a monthly basis, ECMCC pays the County directly, while the ECFSA withholds sales tax revenue that otherwise would be transferred to the County. The ECFSA retains these monies until the semi-annual debt service on the bonds are due. Principal and interest payments on long-term obligations between the ECFSA and the County are reported as transfers in and transfers out in the fund financial statements.

Principal payments received from ECMCC during 2017 totaling $2,219,000 are recorded within miscellaneous revenues in the County's Debt Service Fund and eliminated in the government-wide statements. The remaining amount due from ECMCC in the amount of $179,921,000 is reported on the government-wide financial statements only. This balance is shown as a reconciling item on the Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.

The remaining principal and interest payments on ECMCC's long-term loan payable to the County are as follows (dollars in thousands):

Year	Principal	Interest	Total
2018	$ 4,095	$ 1,874	$ 5,969
2019	5,212	2,927	8,139
2020	5,914	5,092	11,006
2021	6,816	4,905	11,721
2022	6,990	4,705	11,695
2023-2027 . . .	37,778	20,331	58,109
2028-2032	43,064	14,487	57,551
2033-2037 . . .	52,375	7,358	59,733
2038-2039	17,677	459	18,136
Totals . . .	$ 179,921	$62,138	$242,059

C. Interfund Transfers

Interfund transfers for the County for the year ended December 31, 2017, and the College for the year ended August 31, 2017, consisted of the following (dollars in thousands):

Transfers Out	Transfers In	Amount	Purpose - provide financial resources:
General Fund	Nonmajor Governmental Funds	$ 4,848	For the local share of Grant programs
	Nonmajor Governmental Funds	63,166	For general debt service
	Nonmajor Governmental Funds	340	To support various capital projects
	Nonmajor Governmental Funds	141	For highway maintenance
	Nonmajor Governmental Funds	13,787	For highway improvements
	Nonmajor Governmental Funds	3,704	To support E-911 operations
	College	16,254	To support College operations
		102,240	
ECFSA	General Fund	439,440	For general operations from sales tax receipts
Nonmajor Governmental Funds	Nonmajor Governmental Funds	12,717	To support various capital projects
	Nonmajor Governmental Funds	5,309	To support various capital projects
	Nonmajor Governmental Funds	6,457	To support various capital projects
	Nonmajor Governmental Funds	5,729	For general debt service
	Nonmajor Governmental Funds	24,123	For highway maintenance
	Nonmajor Governmental Funds	17,507	For sewer debt service
	Nonmajor Governmental Funds	380	For Sewer operations
	Nonmajor Governmental Funds	8	For County share of CDBG grants
	ECFSA Debt Service	56,604	For ECFSA Debt Service
	General Fund	621	For general operations
	College	1,800	For movable equipment
		131,255	
Total transfers		$672,935	

XVI – PROPERTY TAX ABATEMENTS

As of December 31, 2017, the County provides property tax abatements through a Housing for Low and Very Low Income Households Payment in Lieu of Taxes ("PILOT") program. The program was established to stimulate development of affordable housing in the region, especially for those with the lowest level of incomes.

The State of New York passed Articles 5 and 11 of the New York State Private Housing Finance Law and section 421-e of the New York State Real Property Tax Law, which allows municipal governments to enter into agreements with developers to make a PILOT agreement. In 1999, the Erie County PILOT Policy was approved by the Erie County Legislature through resolution 21E-26. This policy defined two PILOT agreements for low income households in Erie County.

PILOT A refers to PILOT agreements that are used with housing for low income households. The criteria for PILOT A agreements is that 60% of units are affordable (no more than 30% of resident's imputed income) to people earning no more than 60% median income for the area.

PILOT B refers to PILOT agreements that are used with housing for very low income households. The criteria for PILOT B agreements is that 60% of units are affordable (no more than 30% of resident's imputed income) to people earning no more than 50% median income for the area.

Both PILOTs A & B must have a fifteen year commitment for low-income use that includes appropriate regulatory restrictions.

Applicants for a PILOT agreement must supply the Erie County Department of Environment and Planning and the local taxing jurisdiction with information that includes, but is not limited to, the percentage of units for low and very low income residents, the planned development's five year operating budget, the number of residential units and square footage and a letter indicating community support from the chief elected official.

Once the application is received by Erie County, the Commissioner of Environment and Planning will respond within fifteen business days with a letter acknowledging the receipt of the application. The Commissioner will then write a letter of recommendation to approve or disapprove the PILOT request within thirty days of receipt of the completed application. If recommended for approval, the Commissioner will submit the PILOT agreement to the County Legislature within forty days of receipt of the application. Once approved by the Legislature, the PILOT agreement will be submitted to the County Executive for his signature. It is expected that the applicant will concurrently seek approval from the local taxing jurisdiction in which the planned development is located.

The initial PILOT payment will be 5% of the housing project's Total Effective Income for PILOT A agreements, and 3% of the housing project's Total Effective Income for PILOT B agreements. Under both PILOT agreements, in each and every subsequent year, a 3% escalator will be applied to the previous year's PILOT payment. Payments will continue for 15 years, after which time the property will be subject to full taxation. Of the PILOT payments, 75% will be paid directly to the local taxing jurisdiction in which the Development is located, and 25% of will be paid directly to the County.

During 2017, the County received payments for 40 PILOT agreements from within the City of Buffalo, which encompassed 164 properties. The County real property taxes for these properties totaled $738,726 while $223,128 was received for PILOT payments. This resulted in tax abatements totaling $515,598.

There were also two additional agreements with properties in the Town of Amherst that were not covered under an IDA. The County real property taxes for these properties totaled $55,250 while $22,297 was received for PILOT payments. This resulted in tax abatements totaling $32,953.

The County also is subject to tax abatements granted by six (6) Industrial Development Agencies ("IDA's"), entities created under New York State Law. The IDA's in Erie County have adopted a Countywide Industrial Development Agency Uniform Tax Exemption Policy to provide for uniform policies for the claiming of IDA incentives. Permissible business activities include traditional manufacturing, distributive services, business services, and arts, entertainment and recreation.

Property tax abatements for the year ended December 31, 2017 were as follows:

IDA	Real Property Taxes	PILOT Payments	Tax Abatements
Amherst	$ 1,006,980	$ 571,727	$ 435,253
Clarence	381,799	282,977	98,822
Concord	26,846	18,048	8,798
Erie County (ECIDA)	4,399,110	2,551,094	1,848,016
Hamburg	592,086	280,637	311,449
Lancaster	657,356	365,927	291,429
Total	$ 7,064,177	$ 4,070,410	$ 2,993,767

XVII - CONTINGENCIES

A. Sales Tax Audits

The State of New York periodically audits its distribution of sales tax revenues to counties throughout the State. Subsequent revisions to the revenues recorded as of December 31, 2017, if any, would be reflected in the operating statement in the year that they are calculated.

B. Supplemental 1% Sales Tax

Through legislation approved by the County and the State of New York, first effective in March of 1985, the County extended an additional 1% sales and compensating use tax. An added requirement of this legislation commencing in 2007, is that the County is required to share $12,500,000 of this tax with other local municipalities. This tax generated approximately $161,053,121 (gross) for the year ended December 31, 2017. The enabling legislation allowing this additional tax expires November 30, 2019. Legislative approval by both New York State and the County is required for the continuation of this revenue source.

C. Supplemental 0.25% Sales Tax

Through legislation approved by the County and the State of New York, the County initiated an additional 0.25% sales and compensating use tax effective July 1, 2005. This tax generated approximately $40,251,561 for the year ended December 31, 2017. The enabling legislation allowing this additional tax expires November 30, 2019. Legislative approval by both New York State and the County is required for the continuation of this revenue source.

D. Supplemental 0.50% Sales Tax

The County Legislature approved a home rule message requesting approval of the New York State Legislature to raise the sales tax 0.50%, to 8.75%. The New York State Legislature approved the Sales Tax Request in January 2006 and the County Legislature enacted the tax increase effective January 15, 2006. This tax generated approximately $80,503,122 for the year ended December 31, 2017. The enabling legislation allowing this additional tax expires November 30, 2019. Legislative approval by both New York State and the County is required for the continuation of this revenue source.

E. Federal and State Aid

The County receives federal aid, state aid, or both for a portion of its mandated social services program expenditures (reported in the Economic Assistance and Opportunity category in the financial statements), such as Medicaid, Family Assistance and Safety Net. The County appropriates only the local share of state administered Medicaid expenditures. Conversely, the County appropriates total expenditures for Family Assistance and Safety Net programs, and budgets state and/or federal aid as revenue. Federal and state aid represents approximately 42% of 2017 County appropriations for social services programs.

The County also receives certain federal, state and private grants. These grants are used primarily to augment current operations, and for special demonstration projects and programs. Should funding of any such grant be stopped at any point, the County may assume the cost thereof in its operating budget or suspend the programs funded by such grant.

The Federal and State governments are not constitutionally obligated to maintain or continue current levels of federal and state aid to the County. Accordingly, no assurance can be given that present federal and state aid levels will be maintained in the future. Federal and state budgetary restrictions which may eliminate or substantially reduce federal or state aid could have a material adverse effect upon the County, requiring either a counterbalancing increase in revenues from other sources or a curtailment of non-mandated expenditures. Social Services and Medicaid expenditures are generally mandated by New York State law.

F. Other Contingent Liabilities

1. Financial Assistance Audits

As discussed above, the County receives significant financial assistance from numerous federal and state governmental agencies and third-party payors. The disbursement of monies received under these programs generally requires compliance with terms and conditions specified in the related agreements and are subject to audit by the funding agencies or payors. Any disallowed expenditures resulting from such audits could become a liability of the governmental or proprietary funds. At December 31, 2017, ECMCC, a component unit of the County, has recorded $22,521,000 as an accrued liability for probable third-party payor settlements. The amount of any other expenses that may be disallowed cannot be determined at this time, although ECMCC expects such other amounts to be immaterial.

2. Pollution Remediation

The County has identified two pollution remediation sites that trigger the obligating event criteria relating to GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The County is aware that the New York State Department of Environmental Conservation has classified these sites as Class 2, meaning that remediation action is required due to a significant threat posed to the public health or environment. Although a loss is probable, it is not possible at this time to reasonably estimate the amount of any obligation for remediation that would be material to the County's financial statements because the extent of environmental impact, allocation among the potentially responsible parties, remediation alternatives (which could involve no or minimal efforts), and concurrence of the regulatory authorities have not yet advanced to the stage where a reasonable estimate of any loss that would be material to the County can be made.

XVIII – JOINT VENTURES

A. Western Regional Off-Track Betting

Pursuant to authority provided by New York State statute, a regional off-track betting corporation was established in 1973 to operate a system of off-track pari-mutuel betting within the Western New York area. This public benefit corporation, known as the Western Regional Off-Track Betting Corporation ("OTB"), is governed by a Board of Directors comprised of one member from each participating county and city. The OTB net revenue is divided among the participating counties, with one-half being distributed based on population and the remainder based on each entity's share of the total wagering in the region. A county containing an eligible city that has elected to participate in the OTB must relinquish a portion of the revenue to which it would otherwise be entitled to such city in an amount equal to the percentage of the county population attributable to the city. In the case of Erie County, both the County and the City of Buffalo participate in the OTB.

The OTB has the power to issue bonds and notes to carry out the purposes for which it was formed. Such bonds, notes or other, obligations are not a debt of the participating municipalities, and they may only be paid from the OTB's funds.

OTB total undistributed net revenue decreased by $1,294,349 for the year ended December 31, 2017. The OTB reported net revenue available for distribution to participating municipalities of $205,384. Separate financial statements for this joint venture can be obtained from the OTB Comptroller at 8315 Park Road, Batavia, New York, 14020.

B. Buffalo Erie Niagara Land Improvement Corporation

The Buffalo Erie Niagara Land Improvement Corporation ("BENLIC") was established on June 6, 2012 under New York State's Land Bank Act (Article 16 of the Not-for-Profit Corporation Law). BENLIC's mission is to confront and alleviate the problems distressed properties cause to communities by supporting municipal and regional revitalization efforts and strategically acquiring, improving, assembling, and selling distressed, vacant, abandoned, and/or tax-delinquent properties. BENLIC was formed through a joint venture of the County of Erie and Cities of Buffalo, Lackawanna, and Tonawanda and is governed by a Board of Directors comprised of 11 members.

BENLIC has the power to incur debt to carry out the purposes for which it was formed. Such debt is not an obligation of the participating municipalities, and may only be paid from BENLIC funds.

BENLIC is eligible to receive financial assistance from federal and state governmental agencies in the form of grants. BENLIC reported revenues and other support totaling $1,697,467 and expenses totaling $1,480,170 for year ended December 31, 2017. BENLIC reported net position of $2,643,231 at December 31, 2017, of which $0 was temporarily restricted.

Separate financial statements for this joint venture can be obtained from the BENLIC Executive Director at 95 Franklin Street, Buffalo, New York, 14202.

XIX - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 21, 2018, 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.

* * * * * *

REQUIRED SUPPLEMENTARY INFORMATION

The schedule of funding progress presents the results of OPEB valuations as of January 1, 2016, 2014, 2012, 2010, 2008, and 2006 and provides trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The schedules of local government's proportionate share of the net pension liability/(asset) and local government's contributions presents trend information of the components of the net pension liability/(asset) and related ratios for each retirement system the County participates in, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the contributions as a percentage of covered-employee payroll.

Schedule of Funding Progress

Other Post-Employment Benefits Plan – Primary Government

(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (1) ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2016	-	$ 1,050,089	$ 1,050,089	- %	$ 267,195	393.00%
1/1/2014	-	906,421	906,421	- %	262,355	345.49%
1/1/2012	-	838,682	838,682	- %	254,423	329.64%
1/1/2010	-	916,628	916,628	- %	260,985	351.22%
1/1/2008	-	835,493	835,493	- %	248,847	335.75%
1/1/2006	-	736,192	736,192	- %	243,332	302.55%

Note:

(1) Based on the Projected Unit Credit Actuarial Cost Method

Schedule of Local Government's Proportionate Share of the Net Pension Liability

Employees' Retirement System - Primary Government

Last Four Fiscal years (1)

(dollars in thousands)

	Year Ended December 31,			
	2017	**2016**	**2015**	**2014**
Measurement date	**March 31, 2017**	**March 31, 2016**	**March 31, 2015**	**March 31, 2014**
County's proportion of the net pension liability	1.007277%	0.999966%	0.991287%	0.991287%
County's proportionate share of the net pension liability	$ 94,646	$ 160,497	$ 33,488	$ 44,795
County's covered payroll	$ 250,626	$ 244,605	$ 228,878	$ 232,489
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	37.76%	65.61%	14.63%	19.27%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.95%	97.15%

Note:

(1) Information prior to the year ended December 31, 2014 is not available.

Schedule of Local Government's Contributions

Employees' Retirement System - Primary Government

Last Four Fiscal years (1)

(dollars in thousands)

	Year Ended December 31, 2017	2016	2015	2014
Contractually required contributions	$ 36,452	$ 35,896	$ 35,997	$ 29,608
Contributions in relation to the contractually required contribution	(36,452)	(35,896)	(35,997)	(29,608)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
County's covered-employee payroll	$ 232,041	$ 227,722	$ 224,514	$ 220,536
Contributions as a percentage of covered-employee payroll	15.71%	15.76%	16.03%	13.43%

Note:

(1) Information prior to the year ended December 31, 2014 is not available.

Schedule of Local Government's Proportionate Share of the Net Pension Liability/(Asset)

Teacher's Retirement System - Primary Government

Last Four Fiscal years (1)

(dollars in thousands)

	Year Ended August 31,			
	2017	2016	2015	2014
Measurement date	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**	**June 30, 2013**
College's proportion of the net pension liability/(asset)	0.097612%	0.095057%	0.092554%	0.095618%
College's proportionate share of the net pension liability/(asset)	$ 1,045	$ (9,873)	$ (10,651)	$ (609)
College's covered payroll	$ 15,568	$ 14,377	$ 14,243	$ 13,674
College's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	6.70%	(68.68%)	(74.78%)	(4.46%)
Plan fiduciary net position as a percentage of the total pension liability/(asset)	99.00%	110.50%	111.48%	100.70%

Note:

(1) Information prior to the year ended December 31, 2014 is not available.

Schedule of Local Government's Contributions

Teacher's Retirement System - Primary Government

Last Four Fiscal years (1)
(dollars in thousands)

	Year Ended August 31, 2017	2016	2015	2014
Contractually required contributions	$ 1,997	$ 2,503	$ 2,295	$ 1,605
Contributions in relation to the contractually required contribution	(1,997)	(2,503)	(2,295)	(1,605)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 14,912	$ 15,544	$ 14,483	$ 14,350
Contributions as a percentage of covered-employee payroll	13.39%	16.10%	15.85%	11.18%

Note:

(1) Information prior to the year ended August 31, 2014 is not available.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

These financial statements and schedules provide more detailed information than is presented in the basic financial statements.

Combining statements are presented for the nonmajor governmental funds.

Individual fund statements and schedules present the following:

- Comparisons of budgetary and actual data for certain Special Revenue Funds and the Debt Service Fund.
- Statement of Changes in Assets and Liabilities for the Agency Fund.
- Fund financial statements for the discretely presented Library component unit.

Combining statements are presented for the discretely presented Other Component Units.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. These funds include the Road, Sewer, Downtown Mall, E-911, Emergency Response, Grants and Community Development Funds. In addition, the Erie Tobacco Asset Securitization Corporation ("ETASC") General Fund is presented as a nonmajor Special Revenue Fund.

- **Road Fund**
  Used to account for all revenues and expenditures related to the maintenance of County roads and bridges, snow removal, construction and reconstruction of County roads not required to be recorded in a Capital Projects Fund.

- **Sewer Fund**
  Used to account for the activities of the various sewer districts currently in operation within the County.

- **Downtown Mall Fund**
  Used to account for revenues raised through a special district charge levy and the subsequent expenditure of these monies for the operation and maintenance of a downtown pedestrian/transit mall.

- **E-911 Fund**
  Used to account for revenues raised through a telephone access line surcharge and the subsequent expenditure of these monies for the establishment and maintenance of an enhanced 911 emergency telephone system.

- **Emergency Response Fund**
  Used to account for revenues received from the Federal Emergency Management Agency and expenditures associated with the ongoing clean-up of major winter storm damage that occurred in October 2006 and November 2014.

- **Grants Fund**
  Used to account for federal and state operating grants (except the Community Development Block Grant) earmarked for specific programs, so that grantor accounting and reporting requirements can be satisfied.

- **ETASC General Fund**
  Used to account for all financial resources associated with ETASC except for those required to be accounted for in another fund.

- **Community Development Fund**
  Used to assist participating municipalities in the development of locally approved community or economic development activities that are eligible under federal program regulations.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for current payments of principal and interest on general obligation long-term debt, and for financial resources that have been accumulated to make future principal and interest payments on general long term indebtedness.

- **Debt Service Fund**
  Used to account for the accumulation of resources for, and for the payment of, long-term bond principal, interest and related costs of the County.

- **ETASC Debt Service Fund**
  Used to account for the accumulation of resources for, and for the payment of, long-term bond principal, interest and related costs of the ETASC.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- **General Government Buildings, Equipment and Improvements Fund**
  Used to account for capital projects administered by the Department of Public Works involving the acquisition, construction, or reconstruction of major or permanent facilities having a relatively long useful life and equipment purchased from the proceeds of long-term debt.

- **Highways, Roads, Bridges and Equipment Fund**
  Utilized to account for capital projects administered by the Department of Public Works for the construction or reconstruction of County roads and bridges and the acquisition of equipment not accounted for in the Road Fund.

- **Sewers, Facilities, Equipment and Improvements Fund**
  Used to account for capital projects relating to the construction and acquisition of sewer facilities and equipment by the operating sewer districts.

- **Tobacco Proceeds Fund**
  Used to account for the net proceeds from the County’s securitization of its share of the 1998 Master Settlement Agreement with the tobacco industry that will be used to fund capital projects that otherwise would have been supported by operating funds or the issuance of bonds.

- **Special Capital Projects Fund**
  Utilized to account for capital projects administered by departments other than Public Works that are primarily for the acquisition or construction of buildings, improvements and equipment.

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2017

(dollars in thousands)

	Special Revenue				
	Road	Sewer	Downtown Mall	E-911	Emergency Response
ASSETS:					
Cash and cash equivalents	$ -	$ 30,663	$ 48	$ -	$ -
Investments	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-
Receivables (net of allowances)					
Real property taxes, interest, penalties and liens	-	-	34	-	-
Other	72	3	-	326	-
Due from other funds	-	8,457	-	-	-
Due from component unit	3	182	-	-	-
Due from other governments	9,248	89	-	-	1,780
Prepaid items	392	2,665	-	139	-
Total assets	**$ 9,715**	**$ 42,059**	**$ 82**	**$ 465**	**$ 1,780**
LIABILITIES:					
Accounts payable	$ 1,112	$ 790	$ -	$ 44	$ 5
Accrued liabilities	435	455	82	108	-
Due to other funds	5,001	-	-	108	341
Due to other governments	-	-	-	-	51
Retained percentages payable	-	7	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	**6,548**	**1,252**	**82**	**260**	**397**
FUND BALANCES:					
Nonspendable:					
Prepaid items	392	2,665	-	139	-
Restricted for:					
Community development loans	-	-	-	-	-
Debt service	-	-	-	-	-
Capital expenditures	-	-	-	-	-
Assigned:					
Subsequent year's expenditures	-	12,002	-	-	-
Other purposes	2,775	26,140	-	66	1,383
Unassigned	-	-	-	-	-
Total fund balances	**3,167**	**40,807**	**-**	**205**	**1,383**
Total liabilities and fund balances	**$ 9,715**	**$ 42,059**	**$ 82**	**$ 465**	**$ 1,780**

Special Revenue

Grants	ETASC General	Community Development	Total
$ -	$ 63	$ 774	**$ 31,548**
-	-	-	**-**
-	-	-	**-**
-	-	-	**34**
570	-	30,025	**30,996**
-	-	-	**8,457**
-	-	-	**185**
12,760	-	4,299	**28,176**
391	30	22	**3,639**
$ 13,721	**$ 93**	**$ 35,120**	**$ 103,035**
$ 1,918	$	$ 1,647	**$ 5,516**
1,731	-	85	**2,896**
8,575	-	-	**14,025**
23	-	50	**124**
51	-	-	**58**
1,423	-	3,331	**4,754**
13,721	**-**	**5,113**	**27,373**
391	30	22	**3,639**
-	-	30,007	**30,007**
-	-	-	**-**
-	-	-	**-**
-	-	-	**12,002**
-	63	-	**30,427**
(391)	-	(22)	**(413)**
-	**93**	**30,007**	**75,662**
$ 13,721	**$ 93**	**$ 35,120**	**$ 103,035**

(Continued)

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2017

(dollars in thousands)

	Debt Service		
	Debt Service	ETASC Debt Service	Total
ASSETS:			
Cash and cash equivalents	$ -	$ -	**$ -**
Investments	-	19,469	**19,469**
Restricted cash and cash equivalents	-	1,036	**1,036**
Receivables (net of allowances)			**-**
Real property taxes, interest,			**-**
penalties and liens	-	-	**-**
Other	-	-	**-**
Due from other funds	46,806	-	**46,806**
Due from component unit	-	-	**-**
Due from other governments	107	-	**107**
Prepaid items	-	-	**-**
Total assets	**$ 46,913**	**$ 20,505**	**$ 67,418**
LIABILITIES:			
Accounts payable	$ 49	$ -	**$ 49**
Accrued liabilities	103	-	**103**
Due to other funds	22,206	-	**22,206**
Due to other governments	-	-	**-**
Retained percentages payable	-	-	**-**
Unearned revenue	-	-	**-**
Total liabilities	**22,358**	**-**	**22,358**
FUND BALANCES:			
Nonspendable:			
Prepaid items	-	-	**-**
Restricted for:			
Community development loans	-	-	**-**
Debt service	24,555	20,505	**45,060**
Capital expenditures	-	-	**-**
Assigned:			
Subsequent year's			
expenditures	-	-	**-**
Other purposes	-	-	**-**
Unassigned	-	-	**-**
Total fund balances	**24,555**	**20,505**	**45,060**
Total liabilities and fund balances	**$ 46,913**	**$ 20,505**	**$ 67,418**

Capital Projects						
General Government Buildings, Equipment and Improvements	Highways, Roads, Bridges and Equipment	Sewers, Facilities, Equipment and Improvements	Tobacco Proceeds	Special Capital Projects	Total	Total Nonmajor Funds
$ 3,301	$ 3,837	$ 9,200	$ -	$ 1,568	**$ 17,906**	**$ 49,454**
-	-	-	200	-	**200**	**19,669**
42,940	35,017	9,655	16	10,369	**97,997**	**99,033**
-	-	-	-	-	**-**	**34**
-	-	-	-	546	**546**	**31,542**
-	-	-	-	-	**-**	**55,263**
-	-	-	-	-	**-**	**185**
436	2,623	200	-	2,847	**6,106**	**34,389**
-	-	-	-	-	**-**	**3,639**
$ 46,677	**$ 41,477**	**$ 19,055**	**$ 216**	**$ 15,330**	**$ 122,755**	**$ 293,208**
$ 2,319	$ 3,249	$ 648	$ -	$ 3,325	**$ 9,541**	**$ 15,106**
434	148	85	-	358	**1,025**	**4,024**
511	2,761	8,457	-	165	**11,894**	**48,125**
-	-	-	-	-	**-**	**124**
473	281	210	-	1,113	**2,077**	**2,135**
-	21	-	-	-	**21**	**4,775**
3,737	**6,460**	**9,400**	**-**	**4,961**	**24,558**	**74,289**
-	-	-	-	-	**-**	**3,639**
-	-	-	-	-	-	**30,007**
-	-	-	-	-	**-**	**45,060**
42,940	35,017	9,655	216	10,369	**98,197**	**98,197**
-	-	-	-	-	**-**	**12,002**
-	-	-	-	-	**-**	**30,427**
-	-	-	-	-	**-**	**(413)**
42,940	**35,017**	**9,655**	**216**	**10,369**	**98,197**	**218,919**
$ 46,677	**$ 41,477**	**$ 19,055**	**$ 216**	**$ 15,330**	**$ 122,755**	**$ 293,208**

(Concluded)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended December 31, 2017

(dollars in thousands)

	Special Revenue			
	Road	Sewer	Downtown Mall	E-911
REVENUES:				
Real property taxes and tax items	$ -	$ 24,366	$ 1,769	$ -
Sales and use taxes	-	-	-	3,481
Transfer and other taxes	13,136	-	-	-
Intergovernmental	10,526	-	-	21
Interfund revenues	-	-	-	-
Departmental	156	26,322	-	-
Interest	-	20	-	-
Miscellaneous	-	735	-	-
Total revenues	**23,818**	**51,443**	**1,769**	**3,502**
EXPENDITURES:				
Current:				
General government support	-	-	1,769	-
Public safety	-	-	-	5,938
Health	-	-	-	1,201
Transportation	29,221	-	-	-
Economic assistance and opportunity	-	-	-	-
Home and community service	-	40,639	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	32	-	-
Total expenditures	**29,221**	**40,671**	**1,769**	**7,139**
Excess (deficiency) of revenues over expenditures	**(5,403)**	**10,772**	**-**	**(3,637)**
OTHER FINANCING SOURCES (USES) :				
Issuance of general obligation debt	-	-	-	-
Refunding bonds issued.	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-
Premium on bond issuance	-	-	-	-
Sale of Property	-	24	-	-
Transfers in	13,787	380	-	3,704
Transfers out	(10,550)	(9,817)	-	-
Total other financing sources (uses)	**3,237**	**(9,413)**	**-**	**3,704**
Net change in fund balances	**(2,166)**	**1,359**	**-**	**67**
Fund balances - beginning	**5,333**	**39,448**	**-**	**138**
Fund balances - ending	**$ 3,167**	**$ 40,807**	**$ -**	**$ 205**

Special Revenue

Emergency Response	Grants	ETASC General	Community Development	Total
$ -	$ -	$ -	$ -	**$ 26,135**
-	-	-	-	**3,481**
-	-	-	-	**13,136**
-	30,978	-	2,282	**43,807**
-	-	-	-	**-**
-	1,045	-	3,853	**31,376**
-	-	-	-	**20**
-	1,233	-	-	**1,968**
-	**33,256**	**-**	**6,135**	**119,923**
407	7,236	99	-	**9,511**
-	6,786	-	-	**12,724**
-	8,776	-	-	**9,977**
12	-	-	-	**29,233**
-	14,134	-	246	**14,380**
-	1,180	-	5,352	**47,171**
-	-	-	-	**-**
-	-	-	-	**-**
-	-	-	-	**32**
419	**38,112**	**99**	**5,598**	**123,028**
(419)	**(4,856)**	**(99)**	**537**	**(3,105)**
-	-	-	-	**-**
-	-	-	-	**-**
-	-	-	-	**-**
-	-	-	-	**-**
-	-	-	-	**24**
-	4,856	-	-	**22,727**
-	-	-	(8)	**(20,375)**
-	**4,856**	**-**	**(8)**	**2,376**
(419)	**-**	**(99)**	**529**	**(729)**
1,802	**-**	**192**	**29,478**	**76,391**
$ 1,383	**$ -**	**$ 93**	**$ 30,007**	**$ 75,662**

(Continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended December 31, 2017

(dollars in thousands)

	Debt Service		
	Debt Service	ETASC Debt Service	Total
REVENUES:			
Real property taxes and tax items	$ -	$ -	**$ -**
Sales and use taxes	-	-	**-**
Transfer and other taxes	-	-	**-**
Intergovernmental	412	13,176	**13,588**
Interfund revenues	-	-	**-**
Departmental	-	-	**-**
Interest	10,520	271	**10,791**
Miscellaneous	1,725	-	**1,725**
Total revenues	**12,657**	**13,447**	**26,104**
EXPENDITURES:			
Current:			
General government support	135	-	**135**
Public safety	-	-	**-**
Health	-	-	**-**
Transportation	-	-	**-**
Economic assistance and opportunity	-	-	**-**
Home and community service	-	-	**-**
Capital outlay	-	-	**-**
Debt service:			
Principal retirement	11,635	1,950	**13,585**
Interest and fiscal charges	7,995	11,553	**19,548**
Total expenditures	**19,765**	**13,503**	**33,268**
Excess (deficiency) of revenues over expenditures	**(7,108)**	**(56)**	**(7,164)**
OTHER FINANCING SOURCES (USES) :			
Issuance of general obligation debt	-	-	**-**
Refunding bonds issued.	-	-	**-**
Payments to refunded bond escrow agent	(12,964)	-	**(12,964)**
Premium on bond issuance	1,486	-	**1,486**
Sale of Property	-	-	**-**
Transfers in	86,402	-	**86,402**
Transfers out	(56,650)	-	**(56,650)**
Total other financing sources (uses)	**18,274**	**-**	**18,274**
Net change in fund balances	**11,166**	**(56)**	**11,110**
Fund balances - beginning	**13,389**	**20,561**	**33,950**
Fund balances - ending	**$ 24,555**	**$ 20,505**	**$ 45,060**

Capital Projects: General Government Buildings, Equipment and Improvements	Highways, Roads, Bridges and Equipment	Sewers, Facilities, Equipment and Improvements	Tobacco Proceeds	Special Capital Projects	Total	Total Nonmajor Funds
$ -	$ -	$ -	$ -	$ -	**$ -**	**$ 26,135**
-	-	-	-	-	**-**	**3,481**
-	-	-	-	-	**-**	**13,136**
7,510	6,663	227	-	8,920	**23,320**	**80,715**
90	-	-	-	-	**90**	**90**
92	310	88	-	-	**490**	**31,866**
-	-	11	-	-	**11**	**10,822**
4	-	-	-	-	**4**	**3,697**
7,696	**6,973**	**326**	**-**	**8,920**	**23,915**	**169,942**
-	-	-	-	-	**-**	**9,646**
-	-	-	-	-	**-**	**12,724**
-	-	-	-	-	**-**	**9,977**
-	-	-	-	-	**-**	**29,233**
-	-	-	-	-	**-**	**14,380**
-	-	-	-	-	**-**	**47,171**
16,121	24,806	3,531	-	21,623	**66,081**	**66,081**
-	-	-	-	-	**-**	**13,585**
-	-	-	-	-	**-**	**19,580**
16,121	**24,806**	**3,531**	**-**	**21,623**	**66,081**	**222,377**
(8,425)	**(17,833)**	**(3,205)**	**-**	**(12,703)**	**(42,166)**	**(52,435)**
-	-	15,331	-	-	**15,331**	**15,331**
-	-	-	-	-	**-**	**-**
-	-	-	-	-	**-**	**(12,964)**
2,553	2,725	114	-	1,045	**6,437**	**7,923**
-	-	-	-	-	**-**	**24**
13,057	24,264	5,309	-	6,457	**49,087**	**158,216**
(2,115)	(2,937)	(1,472)	-	(2,836)	**(9,360)**	**(86,385)**
13,495	**24,052**	**19,282**	**-**	**4,666**	**61,495**	**82,145**
5,070	**6,219**	**16,077**	**-**	**(8,037)**	**19,329**	**29,710**
37,870	**28,798**	**(6,422)**	**216**	**18,406**	**78,868**	**189,209**
$ 42,940	**$ 35,017**	**$ 9,655**	**$ 216**	**$ 10,369**	**$ 98,197**	**$ 218,919**

(Concluded)

Road Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Non-GAAP Basis of Accounting)

For the fiscal year ended December 31, 2017

(dollars in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget
REVENUES:				
Transfer taxes	$ 11,300	$ 11,300	$ 13,136	$ 1,836
Intergovernmental	8,800	8,800	10,526	1,726
Interfund revenue	50	50	-	(50)
Departmental	110	110	156	46
Total revenues	**20,260**	**20,260**	**23,818**	**3,558**
EXPENDITURES:				
Current:				
Transportation	29,745	30,106	29,161	945
Total expenditures	**29,745**	**30,106**	**29,161**	**945**
Excess (deficiency) of revenues over expenditures	**(9,485)**	**(9,846)**	**(5,343)**	**4,503**
OTHER FINANCING SOURCES (USES):				
Transfers in	16,235	16,386	13,787	(2,599)
Transfers out	(6,750)	(10,550)	(10,550)	-
Total other financing sources (uses)	**9,485**	**5,836**	**3,237**	**(2,599)**
Net change in fund balances*	**$ -**	**$ (4,010)**	**$ (2,106)**	**$ 1,904**

* The net change in fund balances was included in the final budget as an appropriation (i.e., spend down) of fund balance.

Sewer Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Non-GAAP Basis of Accounting)

For the fiscal year ended December 31, 2017

(dollars in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget
REVENUES:				
Real property taxes and tax items	$ 24,333	$ 24,333	$ 24,366	$ 33
Departmental	25,648	25,648	26,322	674
Interest	21	21	20	(1)
Miscellaneous	29	29	735	706
Total revenues	**50,031**	**50,031**	**51,443**	**1,412**
EXPENDITURES:				
Current:				
Home and community service	48,399	48,777	40,570	8,207
Debt service:				
Interest and fiscal charges	42	44	32	12
Total expenditures	**48,441**	**48,821**	**40,602**	**8,219**
Excess (deficiency) of revenues over expenditures	**1,590**	**1,210**	**10,841**	**9,631**
OTHER FINANCING SOURCES (USES):				
Sale of property	-	-	24	24
Transfers in	-	380	380	-
Transfers out	(11,181)	(11,181)	(9,817)	1,364
Total other financing sources (uses)	**(11,181)**	**(10,801)**	**(9,413)**	**1,388**
Net change in fund balances*	**$ (9,591)**	**$ (9,591)**	**$ 1,428**	**$ 11,019**

* The net change in fund balances was included in the budget as an appropriation (i.e., spend down) of fund balance.

Downtown Mall Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Non-GAAP Basis of Accounting)

For the fiscal year ended December 31, 2017

(dollars in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget
REVENUES:				
Real property taxes and tax items	$ 1,773	$ 1,773	$ 1,769	$ (4)
Total revenues	**1,773**	**1,773**	**1,769**	**(4)**
EXPENDITURES:				
Current:				
General government support	1,773	1,773	1,769	4
Total expenditures	**1,773**	**1,773**	**1,769**	**4**
Net change in fund balances	**$ -**	**$ -**	**$ -**	**$ -**

E-911 Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Non-GAAP Basis of Accounting)
For the fiscal year ended December 31, 2017
(dollars in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget
REVENUES:				
Sales and use taxes	$ 3,626	$ 3,626	$ 3,481	$ (145)
Intergovernmental	19	19	21	2
Total revenues	**3,645**	**3,645**	**3,502**	**(143)**
EXPENDITURES:				
Current:				
Public safety	6,406	6,406	5,953	453
Health	1,296	1,296	1,201	95
Total expenditures	**7,702**	**7,702**	**7,154**	**548**
Excess (deficiency) of revenues over expenditures	**(4,057)**	**(4,057)**	**(3,652)**	**405**
OTHER FINANCING SOURCES:				
Transfers in	4,057	4,057	3,704	(353)
Total other financing sources	**4,057**	**4,057**	**3,704**	**(353)**
Net change in fund balances	**$ -**	**$ -**	**$ 52**	**$ 52**

Emergency Response Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Non-GAAP Basis of Accounting)

For the fiscal year ended December 31, 2017

(dollars in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget
EXPENDITURES:				
General government support	-	209	407	(198)
Total expenditures	**-**	**209**	**407**	**(198)**
Excess (deficiency) of revenues over expenditures	**-**	**(209)**	**(407)**	**(198)**
Net change in fund balances	**$ -**	**$ (209)**	**$ (407)**	**$ (198)**

Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Non-GAAP Basis of Accounting)

For the fiscal year ended December 31, 2017

(dollars in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	$ 412	$ 412	$ 412	$ -
Interest	905	2,664	10,520	7,856
Miscellaneous	63	1,436	1,725	289
Total revenues	**1,380**	**4,512**	**12,657**	**8,145**
EXPENDITURES:				
Current:				
General government support	-	135	135	-
Debt service:				
Principal retirement	57,449	12,292	11,635	657
Interest and fiscal charges	18,762	8,842	7,995	847
Total expenditures	**76,211**	**21,269**	**19,765**	**1,504**
Excess (deficiency) of revenues over expenditures	**(74,831)**	**(16,757)**	**(7,108)**	**9,649**
OTHER FINANCING SOURCES (USES):				
Proceeds on refunding bonds	-	11,590	-	(11,590)
Payments to refunded bond escrow	-	(12,964)	(12,964)	-
Premium on bond issuance	-	-	1,486	1,486
Transfers in	72,758	72,758	86,402	13,644
Transfers out	-	(56,650)	(56,650)	-
Total other financing sources (uses)	**72,758**	**14,734**	**18,274**	**3,540**
Net change in fund balances*	**$ (2,073)**	**$ (2,023)**	**$ 11,166**	**$ 13,189**

* The net change in fund balances was included in the budget as an appropriation (i.e., spend down) of fund balance.

AGENCY FUND

The Agency Fund is used to account for money and property received and held in the capacity of custodian or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations.

Statement of Changes in Assets and Liabilities
Agency Fund

For the year ended December 31, 2017

(dollars in thousands)

	Balance 1/1/2017	Additions	Deductions	Balance 12/31/2017
ASSETS:				
Cash and cash equivalents	$ 44,011	$ 357,132	$ 354,224	$ 46,919
Receivables:				
Other receivables	618	7,286	7,270	634
Bonds and securities held in custody	20	-	-	20
Total assets	**$ 44,649**	**$ 364,418**	**$ 361,494**	**$ 47,573**
LIABILITIES:				
Amounts held in custody for others:				
Court funds	$ 17,725	$ 8,231	$ 5,342	$ 20,614
Mortgage tax	3,881	23,350	24,366	2,865
Social services	7,487	105,101	104,952	7,636
Bail and bid deposits	781	790	893	678
Payroll taxes and withholdings	4,338	200,469	200,422	4,385
Miscellaneous - other	10,437	11,921	10,963	11,395
Total amounts held in custody for others	44,649	349,862	346,938	47,573
Total liabilities	**$ 44,649**	**$ 349,862**	**$ 346,938**	**$ 47,573**

LIBRARY COMPONENT UNIT

The financial data shown for the Buffalo and Erie County Public Library (the "Library") is derived from records maintained on its behalf by the County. The Library does not issue separate financial statements. The inclusion of the Library as a component unit in the County's basic financial statements reflects the County's financial accountability for this legally separate entity.

Balance Sheet

Library Component Unit

December 31, 2017

(dollars in thousands)

		Library
ASSETS:		
Cash and cash equivalents	$	9,167
Receivables (net of allowances)		
Other		181
Due from other governments		393
Prepaid items		847
Total assets	**$**	**10,588**
LIABILITIES:		
Accounts payable	$	355
Accrued liabilities		349
Unearned revenue		768
Total liabilities		**1,472**
FUND BALANCES:		
Nonspendable		847
Committed		2,797
Assigned		2,190
Unassigned		3,282
Total fund balances		**9,116**
Total liabilities and fund balances	**$**	**10,588**

Reconciliation of the Balance Sheet

Library Component Unit to the Government-wide Statement of Net Position

December 31, 2017

(dollars in thousands)

		Library
Total fund balance - Library component unit	**$**	**9,116**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		17,388
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to employer contributions		1,293
Deferred outflows related to experience, changes of assumptions, investment earnings and changes in proportion		2,492
Deferred inflows relating to pension plans		(883)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		(36,450)
Net position of Library component unit	**$**	**(7,044)**

Statement of Revenues, Expenditures and Changes in Fund Balance

Library Component Unit

For the year ended December 31, 2017

(dollars in thousands)

	Library
REVENUES:	
Real property taxes and tax items	$ 23,944
Intergovernmental	3,157
Departmental	741
Interest	3
Miscellaneous	133
Total revenues	**27,978**
EXPENDITURES:	
Current:	
Culture and recreation	27,571
Total expenditures	**27,571**
Net change in fund balance	**407**
Fund balance - beginning	**8,709**
Fund balance - ending	**$ 9,116**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance

Library Component Unit to the Government-wide Statement of Activities

For the year ended December 31, 2017

(dollars in thousands)

			Library
Net change in fund balance - Library component unit			**$ 407**
Amounts reported for library component unit in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and depreciated. This is the amount by which capital outlays exceeded depreciation expense in the current period.			
Capital outlays, net of disposals of $302	$	2,794	
Depreciation expense		(2,582)	
Net adjustment			212
Net differences between pension contributions recognized on the fund financial statements and the government-wide statements are as follows:			
Direct pension contributions		(1,293)	
Cost of benefits earned net of employee contributions		572	
			(721)
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds			(3,448)
Change in net position of Library component unit			**$ (3,550)**


SEAL OF ERIE COUNTY
STATE OF NEW YORK

OTHER COMPONENT UNITS

Other Component Units of Erie County include:

The financial data shown for the Erie Community College Foundation, Inc. and the Auxiliary Services Corporation of Erie Community College, Inc. is derived from their separately issued financial statements. Both of these entities are included as component units in the County's basic financial statements, based on the fact that they are legally separate entities for which the College and County are financially accountable.

Combining Statement of Net Position

Other Component Units

December 31, 2017

(dollars in thousands)

	College Foundation (August 31, 2017)	Auxiliary Services Corporation (August 31, 2017)	Total
ASSETS:			
Cash	$ 409	$ 1,712	**$ 2,121**
Investments	4,551	-	**4,551**
Grant receivable	-	-	**-**
Receivables (net of allowances)	82	86	**168**
Inventories	-	34	**34**
Prepaid items	-	11	**11**
Other assets	-	678	**678**
Land held for sale	-	-	**-**
Capital assets:			
Other capital assets, net of depreciation	-	270	**270**
Total assets	**5,042**	**2,791**	**7,833**
LIABILITIES:			
Accounts payable	4	35	**39**
Accrued liabilities	159	746	**905**
Unearned revenue	-	27	**27**
Total liabilities	**163**	**808**	**971**
NET POSITION:			
Net investment in capital assets	-	-	**-**
Restricted for:			
Other purposes	3,256	199	**3,455**
Unrestricted	1,623	1,784	**3,407**
Total net position	**$ 4,879**	**$ 1,983**	**$ 6,862**

Combining Statement of Activities

Other Component Units

For the year ended December 31, 2017

(dollars in thousands)

	College Foundation (August 31, 2017)	Auxiliary Services Corporation (August 31, 2017)	Total
EXPENSES:			
Program operations	$ 1,305	$ 2,126	**$ 3,431**
Total expenses	**1,305**	**2,126**	**3,431**
PROGRAM REVENUES:			
Charges for services	372	1,957	**2,329**
Operating grants and contributions	977	87	**1,064**
Nonoperating grants and contributions	-	-	**-**
Total program revenues	**1,349**	**2,044**	**3,393**
Change in net position	**44**	**(82)**	**(38)**
Total net position - beginning	**4,835**	**2,065**	**6,900**
Total net position - ending	**$ 4,879**	**$ 1,983**	**$ 6,862**


SEAL OF ERIE COUNTY
STATE OF NEW YORK

STATISTICAL SECTION

This part of Erie County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents **Page**

Financial Trends..126

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity...136

These schedules contain information to help the reader assess two of the County's most significant revenue sources; sales and use taxes and property taxes.

Debt Capacity 144

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information 151

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information...152

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Net Position by Component

Last Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	$ 330,411	$ 373,664	$ 374,188	$ 361,546
Restricted	18,979	16,148	6,231	27,317
Unrestricted (deficit)	(339,975)	(362,063)	(361,686)	(412,170)
Total governmental activities net position	**$ 9,415**	**$ 27,749**	**$ 18,733**	**$ (23,307)**
Business-type activities:				
Net investment in capital assets	$ 11,141	$ 12,628	$ 14,421	$ 17,474
Restricted	-	-	-	-
Unrestricted (deficit)	(5,989)	(13,093)	(18,630)	(25,891)
Total business-type activities net position	**$ 5,152**	**$ (465)**	**$ (4,209)**	**$ (8,417)**
Primary government:				
Net investment in capital assets	$ 341,552	$ 386,292	$ 388,609	$ 379,020
Restricted	18,979	16,148	6,231	27,317
Unrestricted (deficit)	(345,964)	(375,156)	(380,316)	(438,061)
Total primary government net position	**$ 14,567**	**$ 27,284**	**$ 14,524**	**$ (31,724)**

Source: Erie County Basic Financial Statements

Fiscal Year

2012	2013	2014	2015	2016	2017
$ 385,776	$ 395,657	$ 411,226	$ 443,834	$ 455,145	$ 451,024
34,960	40,914	45,924	75,151	64,928	84,055
(435,137)	(472,024)	(493,690)	(523,858)	(574,135)	(618,554)
$ (14,401)	**$ (35,453)**	**$ (36,540)**	**$ (4,873)**	**$ (54,062)**	**$ (83,475)**
$ 20,828	$ 23,349	$ 27,069	$ 32,148	$ 32,809	$ 37,520
-	-	-	-	-	208
(30,946)	(34,406)	(39,058)	(43,798)	(52,059)	(53,606)
$ (10,118)	**$ (11,057)**	**$ (11,989)**	**$ (11,650)**	**$ (19,250)**	**$ (15,878)**
$ 406,604	$ 419,006	$ 438,295	$ 475,982	$ 487,954	$ 488,544
34,960	40,914	45,924	75,151	64,928	84,263
(466,083)	(506,430)	(532,748)	(567,656)	(626,194)	(672,160)
$ (24,519)	**$ (46,510)**	**$ (48,529)**	**$ (16,523)**	**$ (73,312)**	**$ (99,353)**

Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	Fiscal Year			
	2008	2009	2010	2011
EXPENSES:				
Primary government:				
Governmental activities:				
General government	$ 418,986	$ 420,026	$ 423,161	$ 462,487
Public safety	118,220	122,888	141,543	131,715
Health	85,091	89,927	82,855	71,714
Transportation	65,292	62,673	72,615	70,201
Economic assistance and opportunity	537,650	567,035	579,927	591,057
Culture and recreation	29,910	23,754	24,567	19,295
Education	66,883	70,716	75,529	73,777
Home and community service	52,299	48,628	53,186	59,127
Interest and fiscal charges	41,784	39,511	37,833	43,985
Total governmental activities expenses	**1,416,115**	**1,445,158**	**1,491,216**	**1,523,358**
Business-type activities:				
College (fiscal year ending August 31,)	112,401	123,988	132,556	133,416
ILDC	-	-	-	-
Purchase and resale of utilities	44,902	27,490	28,587	25,947
Total business-type activities expenses	**157,303**	**151,478**	**161,143**	**159,363**
Total primary government expenses	**$ 1,573,418**	**$ 1,596,636**	**$ 1,652,359**	**$ 1,682,721**
PROGRAM REVENUES:				
Primary government:				
Governmental activities:				
Charges for services:				
General government	$ 21,113	$ 25,057	$ 26,794	$ 26,708
Public safety	7,290	5,971	5,578	6,285
Health	3,717	3,950	2,470	2,373
Economic assistance and opportunity	34,237	29,657	29,008	28,413
Culture and recreation	3,267	6,032	1,552	1,459
Education	95	95	95	95
Home and community service	9,930	11,986	9,311	9,865
Operating grants and contributions	402,443	468,793	456,029	410,157
Capital grants and contributions	8,661	12,282	25,718	12,206
Total governmental activities program revenues	**490,753**	**563,823**	**556,555**	**497,561**
Business-type activities:				
Charges for services:				
College (fiscal year ending August 31,)	29,008	30,863	31,144	32,616
ILDC	-	-	-	-
Purchase and resale of utilities	45,475	27,434	28,805	26,017
Operating grants and contributions	31,181	6,790	7,412	6,584
Total business-type activities program revenues	**105,664**	**65,087**	**67,361**	**65,217**
Total primary government program revenues	**$ 596,417**	**$ 628,910**	**$ 623,916**	**$ 562,778**
NET (EXPENSE) / REVENUE:				
Governmental activities	$ (925,362)	$ (881,335)	$ (934,661)	$ (1,025,797)
Business-type activities	(51,639)	(86,391)	(93,782)	(94,146)
Total primary government net expense	**$ (977,001)**	**$ (967,726)**	**$ (1,028,443)**	**$ (1,119,943)**

Fiscal Year

2012	2013	2014	2015	2016	2017
$ 434,922	$ 426,627	$ 444,564	$ 424,884	$ 432,365	$ 444,172
152,968	157,278	158,867	170,293	183,969	179,735
72,928	72,137	73,687	78,789	86,713	97,574
71,685	71,592	83,361	79,804	82,061	101,601
578,592	594,354	616,548	609,415	620,669	629,158
20,709	18,156	22,516	19,828	20,002	22,674
69,833	68,208	67,907	72,947	72,784	69,060
54,618	53,704	52,410	51,506	59,475	62,452
34,905	39,515	36,859	36,115	45,001	33,870
1,491,160	**1,501,571**	**1,556,719**	**1,543,581**	**1,603,039**	**1,640,296**
129,424	132,318	131,991	129,053	138,975	134,468
-	-	-	-	475	524
21,350	25,398	29,199	18,758	15,105	16,114
150,774	**157,716**	**161,190**	**147,811**	**154,555**	**151,106**
$ 1,641,934	**$ 1,659,287**	**$ 1,717,909**	**$ 1,691,392**	**$ 1,757,594**	**$ 1,791,402**
$ 31,239	$ 26,702	$ 26,684	$ 25,624	$ 27,143	$ 30,649
6,846	7,239	6,591	6,065	5,059	5,002
2,777	2,192	2,103	2,237	2,302	2,597
27,147	23,723	22,037	23,431	28,857	25,636
1,460	1,322	1,350	1,406	1,456	1,453
95	95	95	95	95	95
10,348	9,630	10,521	10,381	17,961	29,797
401,431	395,047	419,988	418,078	403,575	396,823
25,630	17,185	21,276	14,274	9,177	23,807
506,973	**483,135**	**510,645**	**501,591**	**495,625**	**515,859**
35,512	36,868	35,807	35,914	35,726	36,246
-	-	-	-	445	484
20,692	25,438	29,409	18,867	14,342	16,077
5,654	5,282	5,707	6,002	9,982	15,457
61,858	**67,588**	**70,923**	**60,783**	**60,495**	**68,264**
$ 568,831	**$ 550,723**	**$ 581,568**	**$ 562,374**	**$ 556,120**	**$ 584,123**
$ (984,187)	$ (1,018,436)	$ (1,046,074)	$ (1,041,990)	$ (1,107,414)	$ (1,124,437)
(88,916)	(90,128)	(90,267)	(87,028)	(94,060)	(82,842)
$ (1,073,103)	**$ (1,108,564)**	**$ (1,136,341)**	**$ (1,129,018)**	**$ (1,201,474)**	**$ (1,207,279)**

(Continued)

Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	Fiscal Year			
	2008	2009	2010	2011
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Governmental activities:				
Taxes				
Property taxes levied for mall, sewer, and general purposes	$ 239,333	$ 251,224	$ 257,749	$ 275,705
Sales and use taxes	667,783	646,893	661,933	691,208
Transfer and other taxes	8,901	8,553	7,246	8,353
Unrestricted interest earnings	3,994	1,592	1,524	1,280
Miscellaneous	8,772	7,896	14,162	24,242
Gain on sale of capital assets	559	732	460	492
Transfers	(17,162)	(17,221)	(17,429)	(17,429)
Total governmental activities	**912,180**	**899,669**	**925,645**	**983,851**
Business-type activities:				
Unrestricted state and local appropriations	32,524	34,049	34,071	31,163
Federal and state student financial aid	-	29,206	38,392	41,207
Unrestricted interest earnings	663	298	146	139
Miscellaneous	-	-	-	-
Transfers	17,162	17,221	17,429	17,429
Total business-type activities	**50,349**	**80,774**	**90,038**	**89,938**
Total primary government	**$ 962,529**	**$ 980,443**	**$ 1,015,683**	**$ 1,073,789**
CHANGE IN NET POSITION:				
Governmental activities	$ (13,182)	$ 18,334	$ (9,016)	$ (41,946)
Business-type activities	(1,290)	(5,617)	(3,744)	(4,208)
Total change in net position	**$ (14,472)**	**$ 12,717**	**$ (12,760)**	**$ (46,154)**

Source: Erie County Basic Financial Statements

(Continued)

Fiscal Year

2012	2013	2014	2015	2016	2017
$ 270,806	$ 269,809	$ 274,900	$ 277,889	$ 283,647	$ 290,884
707,995	724,680	743,220	754,966	756,591	779,855
9,432	9,719	12,010	11,888	14,054	13,167
1,012	1,352	810	632	694	1,373
9,231	11,287	30,994	24,206	21,125	27,525
361	152	482	253	168	274
(17,429)	(17,343)	(17,429)	(17,554)	(18,054)	(18,054)
981,408	**999,656**	**1,044,987**	**1,052,280**	**1,058,225**	**1,095,024**
30,157	32,590	33,343	32,867	32,760	32,098
39,527	38,690	38,511	38,172	35,585	33,699
102	75	52	30	31	71
-	491	-	-	-	-
17,429	17,343	17,429	17,554	18,054	18,054
87,215	**89,189**	**89,335**	**88,623**	**86,430**	**83,922**
$ 1,068,623	**$ 1,088,845**	**$ 1,134,322**	**$ 1,140,903**	**$ 1,144,655**	**$ 1,178,946**
$ (2,779)	$ (18,780)	$ (1,087)	$ 10,290	$ (49,189)	$ (29,413)
(1,701)	(939)	(932)	1,595	(7,630)	1,080
$ (4,480)	**$ (19,719)**	**$ (2,019)**	**$ 11,885**	**$ (56,819)**	**$ (28,333)**

(Concluded)

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(dollars in thousands)

	Fiscal Year			
	2008	**2009**	**2010**	**2011 (1)**
General Fund:				
Reserved	$ 8,361	$ 6,758	$ 11,853	N/A
Unreserved	49,830	95,080	113,460	N/A
Total general fund	**$ 58,191**	**$ 101,838**	**$ 125,313**	N/A
All Other Governmental Funds:				
Reserved	$ 73,361	$ 87,772	$ 62,740	N/A
Unreserved, reported in:				
Special revenue funds	10,879	17,722	19,690	N/A
Capital project funds (deficit)	(18,315)	(69,217)	66,095	N/A
Total all other governmental funds	**$ 65,925**	**$ 36,277**	**$ 148,525**	N/A
General Fund:				
Nonspendable	N/A	N/A	N/A	$ 8,394
Restricted	N/A	N/A	N/A	187
Assigned	N/A	N/A	N/A	24,065
Unassigned	N/A	N/A	N/A	83,489
Total general fund	N/A	N/A	N/A	**$ 116,135**
All Other Governmental Funds:				
Nonspendable	N/A	N/A	N/A	$ 3,097
Restricted	N/A	N/A	N/A	114,758
Assigned	N/A	N/A	N/A	29,251
Unassigned	N/A	N/A	N/A	(472)
Total all other governmental funds	N/A	N/A	N/A	**$ 146,634**

Source: Erie County Basic Financial Statements

Notes:

(1) The year ended December 31, 2011, was the first year the County's financial statements were prepared in accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

N/A = Not Available

Fiscal Year

2012	2013	2014	2015	2016	2017
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
$ 9,322	$ 10,292	$ 10,231	$ 9,087	$ 8,595	$ 8,603
196	138	140	154	171	162
22,291	20,289	26,576	20,400	11,192	28,072
88,332	89,650	92,218	99,859	100,154	101,939
$ 120,141	**$ 120,369**	**$ 129,165**	**$ 129,500**	**$ 120,112**	**$ 138,776**
$ 3,359	$ 3,539	$ 3,408	$ 34,774	$ 3,295	$ 3,648
110,982	152,860	121,468	119,522	148,734	173,264
31,406	31,933	37,272	38,026	44,347	42,840
(509)	(543)	(654)	(548)	(6,868)	(444)
$ 145,238	**$ 187,789**	**$ 161,494**	**$ 191,774**	**$ 189,508**	**$ 219,308**

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(dollars in thousands)

	Fiscal Year			
	2008	2009	2010	2011
REVENUES:				
Real property taxes and tax items	$ 229,874	$ 244,221	$ 253,512	$ 263,799
Sales and use taxes	667,783	647,287	661,933	691,208
Transfer taxes	8,901	8,553	7,246	8,353
Intergovernmental	408,732	481,067	478,484	416,269
Interfund revenues	323	426	370	318
Departmental	79,173	80,618	74,714	74,683
Interest	6,881	2,931	3,045	3,949
Miscellaneous	8,080	7,199	13,184	24,512
Total revenues	**1,409,747**	**1,472,302**	**1,492,488**	**1,483,091**
EXPENDITURES:				
Current:				
General government support	368,288	348,167	361,693	386,272
Public safety	113,984	121,345	134,388	133,258
Health	82,646	88,891	82,090	70,954
Transportation	44,504	42,549	43,909	44,190
Economic assistance and opportunity	537,251	566,664	576,624	590,268
Culture and recreation	21,105	21,389	21,462	16,405
Education	65,169	69,043	73,889	71,848
Home and community service	45,908	42,149	44,324	43,382
Capital outlay	41,966	59,507	93,066	158,769
Debt service:				
Principal retirement	50,875	50,214	47,936	53,605
Other - advance refunding escrow	-	-	-	-
Interest and fiscal charges	40,482	36,587	38,380	37,965
Total expenditures	**1,412,178**	**1,446,505**	**1,517,761**	**1,606,916**
Excess (deficiency) of revenues over expenditures	**(2,431)**	**25,797**	**(25,273)**	**(123,825)**
OTHER FINANCING SOURCES (USES):				
Issuance of general obligation debt	-	3,232	249,598	115,244
Refunding bonds issued	-	-	120	30,695
Payments to refunded bond escrow agent	-	-	(99,432)	(34,469)
Premium on BAN issuance	-	1,449	374	821
Premium on bond issuance	-	-	27,301	17,496
Payment from Erie County - advance loan refunding	-	-	-	-
Purchase of loan by Erie County - advance loan refunding	-	-	-	-
Proceeds on bond issuance	-	-	-	-
Premium on obligations	-	-	-	-
Discount on purchase of mirror bonds	-	-	-	-
Purchase of loan by Erie County.	-	-	-	-
Discount on loan to Erie County.	-	-	-	-
Sale of property	579	742	460	492
Transfer to Trustee - debt service reserve	-	-	-	-
Transfers in	474,097	455,169	736,133	668,194
Transfers out	(491,259)	(472,390)	(753,562)	(685,623)
Total other financing sources (uses)	**(16,583)**	**(11,798)**	**160,992**	**112,850**
Net change in fund balances	**$ (19,014)**	**$ 13,999**	**$ 135,719**	**$ (10,975)**
Debt service as a percentage of non-capital expenditures	**6.6%**	**6.3%**	**6.0%**	**5.9%**

Source: Erie County Basic Financial Statements

Fiscal Year

2012	2013	2014	2015	2016	2017
$ 268,069	$ 271,757	$ 274,742	$ 280,406	$ 283,732	$ 291,149
707,995	724,680	743,220	754,966	756,591	779,855
9,432	9,719	12,010	11,888	14,054	13,167
426,376	405,194	434,138	416,188	423,586	409,571
1,323	310	228	206	730	299
78,843	72,756	70,012	69,247	83,086	96,226
6,067	6,334	5,336	4,900	4,965	12,195
10,087	15,337	35,425	28,372	22,678	28,141
1,508,192	**1,506,087**	**1,575,111**	**1,566,173**	**1,589,422**	**1,630,603**
386,719	384,065	393,501	402,264	407,302	418,945
148,601	150,138	151,308	157,404	158,624	155,063
72,412	71,832	72,696	73,569	76,812	87,306
45,252	45,527	50,227	50,534	52,425	53,172
577,526	588,819	616,018	603,687	602,921	609,499
18,944	16,497	16,954	17,722	17,333	18,411
68,152	65,867	66,159	71,177	70,846	69,886
44,280	46,685	45,267	45,733	50,360	50,330
61,896	58,042	98,279	66,645	72,025	66,081
50,643	50,359	57,915	88,040	76,913	58,070
-	-	-	-	-	5,517
41,888	39,426	39,230	37,971	43,418	34,100
1,516,313	**1,517,257**	**1,607,554**	**1,614,746**	**1,628,979**	**1,626,380**
(8,121)	**(11,170)**	**(32,443)**	**(48,573)**	**(39,557)**	**4,223**
24,110	61,470	27,405	32,000	32,765	15,331
-	31,135	-	24,615	44,335	62,745
-	(35,895)	-	-	(46,295)	(86,938)
444	-	-	-	-	-
3,245	14,430	4,486	8,822	14,984	19,545
-	-	-	-	-	79,491
-	-	-	-	-	(73,974)
-	-	-	-	-	135,780
-	-	-	-	-	23,984
-	-	-	-	-	(6,718)
-	-	-	-	-	(92,115)
-	-	-	-	-	(6,829)
361	152	482	253	168	274
-	-	-	-	-	(8,281)
528,799	663,321	589,751	607,492	613,113	654,881
(546,228)	(680,664)	(607,180)	(625,046)	(631,167)	(672,935)
10,731	**53,949**	**14,944**	**48,136**	**27,903**	**44,241**
$ 2,610	**$ 42,779**	**$ (17,499)**	**$ (437)**	**$ (11,654)**	**$ 48,464**
6.4%	**6.1%**	**6.4%**	**8.1%**	**7.7%**	**6.2%**

Taxable Sales by Category

Last Ten Fiscal Years (1)

(dollars in thousands)

	Fiscal Year			
Category (2)	**2008**	**2009**	**2010**	**2011**
Utilities (excluding residential energy)	$ 284,203	$ 255,086	$ 203,045	$ 237,525
Construction	212,232	212,131	206,569	224,364
Manufacturing	321,439	323,017	302,139	524,088
Wholesale trade	852,168	845,706	810,170	572,372
Retail trade total	5,320,102	5,345,974	5,318,507	6,096,968
Information	669,659	697,479	712,376	660,451
Professional, scientific, and technical	141,275	143,249	134,130	211,576
Administrative/support services	265,412	270,747	277,016	285,239
Health care	19,312	19,430	19,534	11,744
Arts, entertainment, and recreation	170,063	152,189	153,858	164,837
Accommodation and food services	1,316,380	1,381,465	1,402,403	1,538,578
Other services total	400,801	411,302	403,228	381,059
Agriculture, mining, transportation, fire, education, government	562,164	508,664	445,883	499,523
Agriculture, forestry, fishing, and hunting	-	-	-	-
Mining, quarry, and oil and gas extraction	-	-	-	-
Transportation and warehousing	-	-	-	-
Finance and insurance	-	-	-	-
Real estate and rental and leasing	-	-	-	-
Management of companies and enterprises	-	-	-	-
Educational services	-	-	-	-
Public administration	-	-	-	-
Utilities	-	-	-	-
Unclassified by industry	70,900	52,828	61,537	11,911
Total	**$ 10,606,110**	**$ 10,619,267**	**$ 10,450,395**	**$ 11,420,235**
County Direct Sales Tax Rate	**2.81%**	**2.81%**	**2.81%**	**2.81%**

Source: New York State Department of Taxation and Finance

Notes:

(1) NYS Department of Taxation & Finance's reporting period is March to February. Data represents the reporting periods beginning March 1, 2007 and ending February 28, 2017

(2) Detailed information regarding payers or remitters is not available. Prior to the 2014 reporting period, utilities sales excluded residential energy purchases.

(3) As of the 2013-2014 tax period (the County's 2014 Fiscal Year), the NYS Department of Taxation and Finance re-registered all sales tax vendors, which resulted in a change in total sales and sales distribution by industry. The new reporting system contains more up-to-date and accurate information.

(4) Taxable Sales for fiscal year 2017 are preliminary.

Fiscal Year

2012	2013	2014 (3)	2015 (3)	2016 (3)	2017 (3)(4)
$ 215,848	$ 215,137	$ -	$ -	$ -	$ -
279,797	263,192	302,282	312,989	350,168	338,751
533,668	507,377	505,746	513,112	539,075	536,291
571,245	603,582	823,460	821,596	815,940	798,842
6,070,438	5,990,508	8,105,009	8,195,701	8,060,594	8,131,763
668,665	670,161	714,504	725,298	716,610	755,901
203,998	215,302	237,551	245,129	273,361	268,948
297,223	297,761	327,805	354,062	408,457	402,667
14,896	14,594	22,568	23,697	25,069	13,393
167,880	138,331	169,495	178,011	187,551	200,990
1,633,538	1,693,772	1,751,920	1,823,917	1,954,805	2,021,714
408,318	395,122	426,800	437,025	608,815	591,115
539,089	534,342	-	-	-	-
-	-	16,507	16,673	18,312	19,290
-	-	14,913	21,313	23,875	18,291
-	-	73,093	74,908	77,221	70,135
-	-	54,827	46,565	53,800	68,458
-	-	375,059	349,303	361,075	370,141
-	-	27,611	26,188	26,853	21,974
-	-	12,734	13,051	13,421	14,934
-	-	2,302	2,466	2,159	2,168
-	-	918,704	938,766	779,985	749,502
2,285	11,432	49,823	50,980	62,314	18,744
$ 11,606,888	**$ 11,550,613**	**$ 14,932,713**	**$ 15,170,750**	**$ 15,359,460**	**$ 15,414,012**
2.81%	**2.81%**	**2.81%**	**2.81%**	**2.81%**	**2.81%**

Assessed and Equalized Full Value of Taxable Property (1)

Last Ten Fiscal Years

(dollars in thousands)

Fiscal Year	Residential Property	Commercial Property	Total Assessed Property Value	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate (2)
2008	$ 25,566,393	$ 8,864,027	$ 34,430,420	$ 2,308,570	$ 32,121,850	$ 6.39
2009	26,426,841	9,383,744	35,810,585	2,408,149	33,402,436	6.38
2010	27,465,909	9,743,878	37,209,787	2,358,179	34,851,608	6.56
2011	27,840,959	9,812,645	37,653,604	2,186,296	35,467,308	6.52
2012	28,314,750	9,672,758	37,987,508	2,279,789	35,707,719	6.59
2013	28,269,007	9,684,510	37,953,517	2,193,126	35,760,391	6.57
2014	29,011,563	10,174,472	39,186,035	2,147,709	37,038,326	6.59
2015	30,634,675	10,693,215	41,327,890	2,088,451	39,239,439	6.59
2016	31,420,866	10,956,886	42,377,752	2,088,451	40,289,301	6.50
2017	31,874,701	11,091,876	42,966,577	1,974,692	40,991,885	6.44

Source: Erie County Department of Real Property Tax Services

Notes:

(1) Equalization rates are provided by New York State and applied by the County to the assessed valuation of taxable real estate to arrive at equalized full value which is comparable to estimated actual value.

(2) Per $1,000 of assessed value.

Total Actual Taxable Equalized Full Value	Assessed Value as a Percentage of Equalized Full Value (1)
$ 42,821,246	75.01%
44,382,615	75.26%
46,120,910	75.57%
46,738,120	75.89%
47,235,307	75.60%
47,138,287	75.86%
47,996,864	77.17%
49,214,694	79.73%
51,961,517	77.54%
54,929,481	74.63%

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per $1,000 of assessed value)

	Erie County Direct Rates			Overlapping Rates			
Fiscal Year	**General Fund**	**Special Revenue Funds**	**Total Direct**	**Cities, Towns & Villages**	**School Districts**	**Special Districts**	**City of Buffalo (1)**
2008	4.95	1.44	6.39	4.01	17.76	5.06	24.53
2009	5.03	1.35	6.38	3.94	17.67	5.10	23.88
2010	5.04	1.52	6.56	3.98	17.13	4.87	23.27
2011	5.03	1.49	6.52	4.03	17.53	4.92	22.84
2012	5.03	1.56	6.59	4.01	18.15	4.88	22.39
2013	5.03	1.54	6.57	3.92	18.53	5.03	21.58
2014	5.04	1.55	6.59	3.89	18.81	4.91	21.17
2015	5.00	1.59	6.59	3.85	18.87	4.85	20.52
2016	4.96	1.54	6.50	3.74	18.55	4.77	18.26
2017	4.95	1.49	6.44	3.68	17.91	4.63	16.84

Source: Erie County Department of Real Property Tax Services

Note:

(1) City of Buffalo is presented separately and is, therefore, not included in the column for cities, towns, and villages. The rate shown for the City of Buffalo includes the levy for the Buffalo Public School District, which receives funding from the City and is unable to levy taxes.

Principal Taxpayers

Current Year and Nine Years Ago

	2017			2008		
Taxpayer	**Equalized Full Value**	**Rank**	**Percentage of Equalized Full Value (1)**	**Equalized Full Value**	**Rank**	**Percentage of Equalized Full Value (1)**
National Grid / Niagara Mohawk	$ 823,577,974	1	1.50%	$ 565,948,192	2	1.32%
National Fuel Gas	745,435,958	2	1.36%	684,800,536	1	1.60%
Benderson Development Company	638,567,204	3	1.16%	200,664,965	4	0.47%
Pyramid Company of Buffalo	278,230,150	4	0.51%	142,904,478	6	0.33%
Norfolk/Conrail/CSX/PA Lines	227,918,977	5	0.41%			
NY State Electric & Gas Corporation	219,841,189	6	0.40%	125,823,147	7	0.29%
Uniland Development	191,624,308	7	0.35%			
Verizon New York Inc	182,191,707	8	0.33%	319,609,988	3	0.75%
Ellicott Group LLC	168,120,431	9	0.31%			
G&I IX Empire.	130,955,876	10	0.24%			
BG Properties LLC				187,799,569	5	0.44%
DDR MDT LLC				119,863,500	8	0.28%
Seneca One Realty LLC				84,000,000	9	0.20%
Wegmans Food Market				83,302,920	10	0.19%
Totals	**$ 3,606,463,774**		**6.57%**	**$ 2,514,717,295**		**5.87%**

Source: Erie County 2017 & 2008 Annual Reports published by the Department of Real Property Tax Services

Note:
(1) Percentage of equalized full value is calculated by dividing the valuation shown for each of the listed taxpayers by the County's total equalized full value (excluding exemptions).

Property Tax Levies And Collections

Last Ten Fiscal Years

Fiscal Year	County Property Taxes Levied (1)	All Other Property Taxes Levied (2)	Total Property Taxes Levied	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy
2008	$ 211,837,793	$ 378,978,530	$ 590,816,323	$ 575,132,293	97.35%
2009	223,306,326	388,893,461	612,199,787	595,839,865	97.33%
2010	232,413,974	405,958,043	638,372,017	622,129,950	97.46%
2011	235,182,208	413,059,474	648,241,682	628,996,639	97.03%
2012	237,692,831	418,201,340	655,894,171	636,198,405	97.00%
2013	237,270,828	418,170,150	655,440,978	637,052,431	97.19%
2014	241,721,087	420,052,940	661,774,027	644,024,505	97.32%
2015	245,876,811	428,290,819	674,167,630	655,940,466	97.30%
2016	257,638,097	437,982,920	695,621,017	677,125,859	97.34%
2017	272,002,597	447,195,930	719,198,527	700,924,354	97.46%

Sources:
Erie County Department of Real Property Tax Services
Erie County Govern Tax Collection System

Notes:
(1) Totals shown exclude amounts levied in accordance with State law to recover election expenditures from the municipalities that were incurred by the County.

(2) Totals shown are primarily comprised of taxes levied for the benefit of County towns, re-levy of uncollected school and village taxes, and sewer district taxes and user charges. See Note V - Property Taxes beginning on page 49 for more information on the annual property tax levy process.

N/A = Not Available

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
$ 14,742,239	$ 589,874,532	99.84%
15,214,774	611,054,639	99.81%
14,806,845	636,936,794	99.78%
17,534,944	646,531,583	99.74%
17,413,447	653,611,852	99.65%
15,457,533	652,509,964	99.55%
14,073,997	658,098,502	99.44%
11,077,673	667,018,139	98.94%
6,717,169	683,843,028	98.31%
N/A	700,924,354	97.46%

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands, except per capita)

	Governmental Activities			Business-type Activities			
Fiscal Year	General Obligation Bonds (1)	General Obligation Bonds - Sewer & ECMCC (2)	ETASC Tobacco Securitization Asset Backed Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (3)(4)	Per Capita (3)(4)
2008	$ 396,114	$ 65,728	$ 292,800	$ -	$ 754,642	1.12%	$ 435
2009	352,176	63,071	288,363	-	703,610	1.00%	387
2010	477,893	68,575	286,318	-	832,786	1.32%	520
2011	452,604	164,676	310,612	-	927,892	1.20%	493
2012	431,015	164,410	334,818	-	930,243	1.07%	469
2013	454,789	156,801	338,715	5,907	956,212	1.09%	494
2014	429,288	151,826	339,938	4,430	925,482	1.04%	465
2015	405,903	146,051	344,218	2,954	899,126	0.94%	440
2016	390,827	139,928	333,159	1,477	865,391	0.89%	424
2017	390,238	235,244	338,649	-	964,131	N/A	422

Source: Erie County Basic Financial Statements 2008-2017

Notes:

(1) Amounts shown are net of related premiums, discounts and adjustments.

(2) Includes self-supporting sewer district bonds for the years 2008 to 2017 and bonds issued by the ECFSA in 2011 to assist ECMCC in the construction of a new residential health care facility. Loan agreements were executed whereby ECMCC will fund the repayment of the bonds in future years ($86,250 was outstanding at December 31, 2011 and 2012; $82,505 was outstanding at December 31, 2013; $78,615 was outstanding December 31, 2014; $74,565 was outstanding December 31, 2015; and $70,355 was outstanding December 31, 2016). In 2017, the 2011 bonds issued by ECFSA for ECMCC's health care facility were refunded. ECFSA also issued bonds to assist ECMCC's capital projects in 2017. Similar loan agreements were executed, as mentioned above. As of December 31, 2017, $62,745 was outstanding for the ECMCC facility bonds and $92,115 was oustanding for the ECMCC capital projects bonds.

(3) Calculation excludes self-supporting debt (i.e., ETASC tobacco settlement bonds, sewer district bonds, ECMCC related bonds and ECC capital leases). ETASC bonds are not legal obligations of the County. The County operates sewer districts in select areas of the County only. ECMCC related debt and ECC capital leases are repaid solely by ECMCC and ECC, respectively.

(4) See the "Demographic and Economic Statistics" schedule on page 151 for personal income and population data.

N/A = Not Available

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(dollars in thousands, except per capita)

Fiscal Year	General Net Bonded Debt Outstanding (1,2,3,4)	Percentage of Actual Taxable Value (5) of Property	Per Capita (6)
2008	$ 384,312	1.20%	$ 422
2009	342,504	1.03%	377
2010	471,651	1.35%	513
2011	448,145	1.26%	488
2012	427,021	1.20%	465
2013	445,928	1.25%	485
2014	422,687	1.14%	458
2015	397,283	1.01%	431
2016	380,066	0.94%	412
2017	369,884	0.90%	400

Source: Erie County Basic Financial Statements 2008-2017

Notes:

(1) Excludes Library Component Unit bonds which matured in 2008.

(2) Does not include sewer bonds which are considered self-supporting debt.

(3) Excludes ECMCC bond guaranty of $101,375 for 2008, $99,305 for 2009, $97,150 for 2010, $94,900 for 2011, $92,550 for 2012, $90,085 for 2013, $87,500 for 2014, $84,790 for 2015, $81,930 for 2016 and $78,910 for 2017.

(4) Net of resources restricted for principal repayment of general bonded debt.

(5) See the "Assessed and Equalized Full Value of Taxable Property" schedule on pages 138-139 for property value data.

(6) See the "Demographic and Economic Statistics" schedule on page 151 for population data.

Legal Debt Margin Information

Last Ten Fiscal Years

(dollars in thousands)

	Fiscal Year			
	2008	2009	2010	2011
Debt limit	$ 2,680,794	$ 2,820,171	$ 2,962,433	$ 3,082,612
Total net debt applicable to limit	480,620	436,259	545,873	511,592
Legal debt margin	**$ 2,200,174**	**$ 2,383,912**	**$ 2,416,560**	**$ 2,571,020**
Total net debt applicable to the limit as a percentage of debt limit	**17.93%**	**15.47%**	**18.43%**	**16.60%**

Sources:
Property value - NYS Office of the State Comptroller - Data Management Unit
Indebtedness and exclusions - Erie County Comptroller's Office
Erie County Basic Financial Statements

Notes:
(1) The computation of net debt-contracting margin performed by municipalities in New York State is akin to the computation of legal debt margin performed by municipalities in other states.

(2) Equalization rates are provided by New York State and applied by the County to the assessed valuations of taxable real estate to arrive at equalized full value.

(3) Per New York State constitution, the County's outstanding general obligation debt should not exceed 7 percent of total average five-year assessed property value.

Legal Debt Margin Calculation for Fiscal Year 2017 (1)

Full value (average five-year valuation) (2)		$ 50,248,169
Debt limit (7% of assessed value) (3)		$ 3,517,372
Debt applicable to limit:		
General obligation bonds and guaranty	$ 486,699	
Total net debt applicable to limit		486,699
Legal debt margin		**$ 3,030,673**

Fiscal Year

2012	2013	2014	2015	2016	2017
$ 3,176,940	$ 3,242,613	$ 3,293,213	$ 3,336,526	$ 3,409,653	$ 3,517,372
563,330	576,666	552,316	524,451	499,668	486,699
$ 2,613,610	**$ 2,665,947**	**$ 2,740,897**	**$ 2,812,075**	**$ 2,909,985**	**$ 3,030,673**
17.73%	**17.78%**	**16.77%**	**15.72%**	**14.65%**	**13.84%**

Pledged-Revenue Coverage

Last Ten Fiscal Years

(dollars in thousands)

	Tobacco Securitization Asset Backed Bonds (1)				
Fiscal Year	**Tobacco Settlement Revenue**	**Interest Earnings**	**Operating Transfer-Out**	**Carry-forward of Prior Year Fund Balance Restricted for Future Debt Service**	**Less: Operating Expenses**
2008	$ 18,064	$ 163	$ (100)	$ 19,940	$ (24)
2009	19,422	13	(100)	19,893	(12)
2010	15,925	86	(202)	20,412	-
2011	15,098	116	(200)	19,964	-
2012	15,397	139	(158)	19,919	(1)
2013	15,388	42	-	19,991	(1)
2014	17,409	12	-	20,734	(1)
2015	14,898	12	(400)	20,602	-
2016	30,091	166	-	20,372	-
2017	13,176	271	-	20,561	-

Source: ETASC Financial Statements

Note:

(1)Tobacco settlement bonds are payable only from the assets of ETASC and are not legal obligations of the County.

Tobacco Securitization Asset Backed Bonds

Net Available Resources	Debt Service		Coverage
	Principal	Interest	
$ 38,043	$ 3,865	$ 14,285	2.10
39,216	5,265	13,539	2.09
36,221	2,875	13,382	2.23
34,978	1,805	13,254	2.32
35,296	2,195	13,110	2.31
35,420	1,785	12,901	2.41
38,154	4,855	12,697	2.17
35,112	2,220	12,520	2.38
50,629	18,015	12,053	1.68
34,008	1,950	11,553	2.52

Direct And Overlapping Governmental Activities Debt (1)

As of December 31, 2017

(dollars in thousands)

Governmental Unit	Fiscal Year Ended	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Cities	06/30/16	$ 375,377	100%	$ 375,377
Towns	12/31/16	477,085	100%	477,085
Villages	05/31/16	77,998	100%	77,998
School districts	06/30/16	1,719,345	100%	1,719,345
Fire districts	12/31/16	11,455	100%	11,455
Subtotal, overlapping debt				**2,661,260**
County direct debt				**625,482**
ETASC direct debt				**338,649**
County and ETASC direct debt				**964,131**
Total direct and overlapping debt				**$ 3,625,391**

Sources:
Net debt outstanding of Erie County - Erie County Comptroller's Office
All other information - Latest available from the New York State Office of the State Comptroller

Note:
(1) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Erie County. This process recognizes that, when considering the County's ability to issue and re-pay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Demographic and Economic Statistics

Last Ten Calendar Years

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	School Enrollment (Grades K-12)	Unemployment Rate
2008	909,858	$ 35,298,163	$ 38,795	152,366	5.7%
2009	909,247	35,047,750	38,546	143,936	8.3%
2010	919,040	36,170,467	39,369	141,583	8.2%
2011	918,028	37,864,000	41,245	140,981	8.2%
2012	918,922	40,377,000	43,932	143,633	8.2%
2013	919,866	41,850,059	45,496	144,334	7.4%
2014	922,835	41,287,539	44,740	137,617	6.1%
2015	922,578	43,164,184	46,786	138,391	5.4%
2016	921,046	43,804,180	47,559	140,620	4.9%
2017	925,528	N/A	N/A	N/A	5.2%

Sources:

Population: *The 2008 to 2009 and 2011 to 2017 estimates were compiled by the NYS Department of Commerce and the NYS Department of Economic Development, respectively, using data provided by the United States Bureau of the Census. 2010 is the decennial census of the population conducted by the federal government.* ***Personal Income:*** *United States Department of Commerce, Bureau of Economic Analysis; material compiled by NYS Department of Commerce.* ***School Enrollment:*** *NYS Education Department, Information Center on Education. School enrollment data represents the 2007-2008 to 2016-2017 school years.* ***Unemployment Rate:*** *NYS Department of Labor.*

Note:
N/A = Not Available

Principal Employers

Current Year and Nine Years Ago

	2017			2008		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
State of New York	23,400	1	5.22%	16,755	1	3.76%
U.S. Government	9,000	2	2.01%	10,000	2	2.25%
City of Buffalo (2)	10,198	3	2.27%	8,462	4	1.90%
Kaleida Health	8,113	4	1.81%	10,000	2	2.25%
Catholic Health System	7,347	5	1.64%	5,191	6	1.17%
M & T Bank	7,000	6	1.56%	4,431	9	1.00%
University at Buffalo	6,992	7	1.56%			
Tops Markets LLC.	5,423	8	1.21%	4,600	8	1.03%
County of Erie (1)	4,084	9	0.91%	4,187	10	0.94%
Erie County Medical Center Corp	3,412	10	0.76%			
Employer Services Corp				5,033	7	1.13%
HSBC Bank USA, N.A.				5,848	5	1.31%
Total	**84,969**		**18.94%**	**74,507**		**16.74%**

Sources:

Erie County Employment: *Erie County Comptroller's Office.* ***Total Employed Within Erie County:*** *NYS Department of Labor.* ***All Other Employer Data:*** *Business First - Book of Lists*

Notes:
(1) Represents filled full-time positions, excluding positions for Erie Community College.
(2) Includes Buffalo Public School District.

Full-time County Government Employees by Function (1)

Last Ten Fiscal Years

Function	Fiscal Year 2008	2009	2010	2011	2012
General government support	627	642	630	588	602
Public safety	1,181	1,169	1,197	1,160	1,180
Health	316	277	267	235	256
Transportation	151	160	151	152	149
Economic assistance and opportunity	1,559	1,521	1,442	1,528	1,432
Culture and recreation	81	75	36	50	49
Education	32	34	31	27	27
Home and community service	240	235	217	227	239
Total	**4,187**	**4,113**	**3,971**	**3,967**	**3,934**

Source: Erie County Comptroller's Office

Note:
(1) Excludes Erie Community College.

Fiscal Year

2013	2014	2015	2016	2017
610	606	615	637	637
1,213	1,235	1,243	1,264	1,326
210	215	219	295	230
141	151	173	175	170
1,353	1,388	1,386	1,392	1,394
50	53	57	60	64
84	86	98	27	27
245	240	229	241	236
3,906	**3,974**	**4,020**	**4,091**	**4,084**

Operating Indicators by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year 2008	2009	2010	2011
General government support:				
Major construction projects successfully completed	5	12	12	14
Motor vehicle registrations processed by County Clerk	249,733	244,026	367,533	272,934
Cases prosecuted or arraigned by the District Attorney's Office	32,441	31,819	31,195	30,523
Public safety:				
Sheriff's calls for service	88,863	84,259	70,829	88,963
Vehicle and traffic arrests	10,835	11,363	12,764	11,269
Inmate population-Holding Center (average per day)	500	479	495	497
Inmate population-Correctional Facility (average per day)	864	866	855	749
Probation cases-supervised	5,410	6,048	7,233	7,231
Fire personnel trained	5,115	5,143	6,961	8,074
Health:				
Patient visits - pediatric care	2,953	2,932	92	- (1)
Persons served by Mental Health agencies (per month)	28,921	26,845	27,389	9,552
Transportation:				
Bridges inspected	248	78	244	74
Miles of roads receiving surface treatment	211	141	181	222
Economic assistance and opportunity:				
Home Energy Assistance Program payments administered	119,758	185,447	159,047	157,949
Number of clients enrolled in Medicaid Managed Care programs	76,615	89,331	97,777	104,789
Senior services home care to frail elderly (hours)	106,420	83,015	95,477	85,272
Culture and recreation:				
Park attendance	1,700,000	1,900,000	1,985,500	1,704,479
Rounds of golf played	67,558	67,298	60,129	51,193
Education:				
Children with special needs receiving service	4,206	4,182	4,168	4,032
Erie Community College full-time student headcount (2)	8,404	8,874	9,560	9,845
Home and community service:				
Sewer flow per day (millions of gallons)	59	59	56	60

Source: Various County Departments

Notes:
(1) Clinics providing pediatric care were closed effective June 30, 2010.

(2) Average per semester.

N/A = Not Available

Fiscal Year

2012	2013	2014	2015	2016	2017
17	8	15	14	12	12
260,257	278,409	274,936	286,500	283,895	279,172
30,116	29,605	31,172	32,225	24,798	22,838
88,956	88,659	88,944	89,941	98,881	105,384
13,655	10,988	9,406	11,446	10,900	11,112
524	517	497	544	493	426
808	852	742	712	690	644
7,543	7,092	6,245	5,799	5,424	4,938
7,608	7,782	7,657	7,266	8,357	8,772
-	-	-	-	-	-
11,354	2,325	2,901	3,023	3,341	4,214
239	78	234	77	231	76
215	12	114	147	199	158
193,115	174,777	206,518	122,938	157,902	105,892
118,431	125,580	160,983	171,752	170,189	173,550
80,575	67,450	71,566	86,969	74,982	80,405
1,863,326	N/A	N/A	N/A	N/A	N/A
59,623	N/A	N/A	56,339	54,627	47,748
3,790	3,835	3,821	3,933	3,833	3,907
9,173	9,116	8,514	7,862	7,422	7,077
42	49	48	46	45	52

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function (1)	Fiscal Year 2008	2009	2010	2011
Public safety:				
Emergency communication stations	1	1	1	1
Training centers operated by the County	3	3	3	3
Correctional facilities	1	1	1	1
Holding centers	1	1	1	1
Health:				
Health Department clinics / in County-owned buildings	11 / 5	11 / 5	4 / 4	4 / 1
Transportation:				
Miles of roads	1,187	1,187	1,187	1,187
Highway maintenance facilities	5	5	5	5
Culture and recreation:				
Parks	23	23	23	23
Park and forest acreage	10,247	10,247	10,247	10,247
Golf courses	2	2	2	2
Education:				
Erie Community College campuses	3	3	3	3
Erie Community College library volumes	135,097	126,537	125,272	120,206
Home and community service:				
Miles of sanitary sewer	931	937	942	944
Miles of storm sewer	47	47	48	48
Pumping stations	100	97	98	98
Grinder pumps	463	463	463	463

Source: Various County Departments

Note:
(1) No capital asset indicators are available for general government support and economic assistance and opportunity functions.

Fiscal Year

2012	2013	2014	2015	2016	2017
1	1	1	1	1	1
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
4 / 1	4 / 1	4 / 1	4 / 1	4 / 1	4 / 1
1,187	1,187	1,187	1,187	1,187	1,187
5	5	5	5	5	5
23	23	23	23	23	23
10,247	10,247	10,247	10,247	10,486	10,486
2	2	2	2	2	2
3	3	3	3	3	3
116,674	112,651	109,198	110,945	107,702	104,453
1,054	1,071	1,071	1,074	1,074	1,080
48	48	48	48	48	48
100	96	96	96	93	93
455	452	452	466	466	458