

COUNTY OF ERIE

Popular Annual Financial Report

Erie County, New York

Fiscal Year Ended December 31, 2018



Stefan I. Mychajliw
Erie County Comptroller

Information

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Recognition for Financial Reporting

The Government Finance Officers Association (GFOA) of the United States and Canada has given the Award for Outstanding Achievement in Popular Annual Financial Reporting to the County of Erie, New York for its Popular Annual Financial Report for the fiscal year ended December 31, 2017. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to earn an Award for Outstanding Achievement in Popular Annual Financial Reporting, a governmental unit must publish a Popular Annual Financial Report that conforms to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report conforms with the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA for consideration.



About This Report

Message From the Comptroller

As the Chief Financial Officer for Erie County, I prioritize transparency between government and the taxpayers in our community. It's your money. You have a right to know how it is being utilized. With that in mind, this Popular Annual Financial Report (PAFR) has been prepared with data from my office's Comprehensive Annual Financial Report (CAFR). I hope that you find this data useful.



The information contained within this PAFR summarizes the contents of the CAFR which was prepared in conformance with Generally Accepted Accounting Principles (GAAP); containing full financial statements and note disclosures for all activities, funds, and component units. The CAFR is audited by the County's independent external auditor, Drescher & Malecki LLP. The Comptroller's Office then receives an unmodified opinion from the independent external auditor, which states they believe the numbers in our CAFR to be materially accurate and presented fairly. This PAFR is an unaudited summary document containing only a sampling of selected

statistics and information.

Both the 2018 CAFR and PAFR are available at www.erie.gov/comptroller. You can also obtain previous years CAFR and PAFRs through the same link, as well as copies our Audit Reports, Reviews, and other Erie County financial information.

To obtain print versions of the material, please contact the Erie County Office of the Comptroller at (716) 858-5225, or write to us at 95 Franklin St., Room 1100, Buffalo, New York 14202.

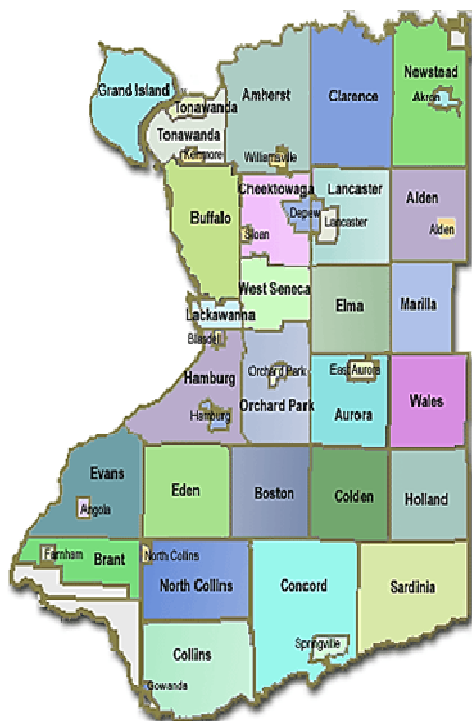
You may also e-mail your comments concerning this report, or any other aspect of the operations of the Erie County Comptroller's Office, to comptroller@erie.gov.

Sincerely,

Stefan I. Mychajliw
Erie County Comptroller



County of Erie Background



Erie County is a metropolitan center covering 1,043 square miles that is located on the western border of New York State, adjacent to Lake Erie. Situated within the County are three cities, twenty five towns, and sixteen 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 and facilitates to its residents a number of discretionary and mandated services. These services and functions include: culture, parks and recreation, social services, public safety, youth, health, senior services, roads, mental health, probation, corrections, emergency services, license bureau and sanitary sewerage systems. Additionally, the County operates a community college, which is not included in this report.

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 eleven-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 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.



Recreational Activities

Arts & Cultural

Cultural institutions are a vital part of Erie County's identity. We are fortunate to have such icons as Shea's Performing Arts Center, Kleinhans Music Hall (permanent home of the Buffalo Philharmonic Orchestra), the Buffalo and Erie County Botanical Gardens, Frank Lloyd Wright's Martin House Complex, Burchfield Penney Art Center, the Albright Knox Art Gallery, Pierce Arrow Museum, the Buffalo Zoo, the Buffalo Science Museum, the Buffalo History Museum, and more. It also features Canalside, which is host to the Buffalo and Erie County Naval & Military Park and the brand new Explore & More – The Ralph C. Wilson Children's Museum.



Professional Sports

Erie County is home to several professional sports teams, including the Buffalo Bills of the National Football League, the Buffalo Sabres of the National Hockey League, the Buffalo Bandits of the National Lacrosse League, the Buffalo Bisons of the AAA Baseball International League, the Buffalo Beauts of the National Women's Hockey League, and FC Buffalo of the National Premier Soccer League. These teams provide favorable economic impact to Erie County businesses during their seasons of play, and they provide an important part of the fabric of not only Erie County's entertainment scene, but the region's social culture as well.

Parks & Recreation

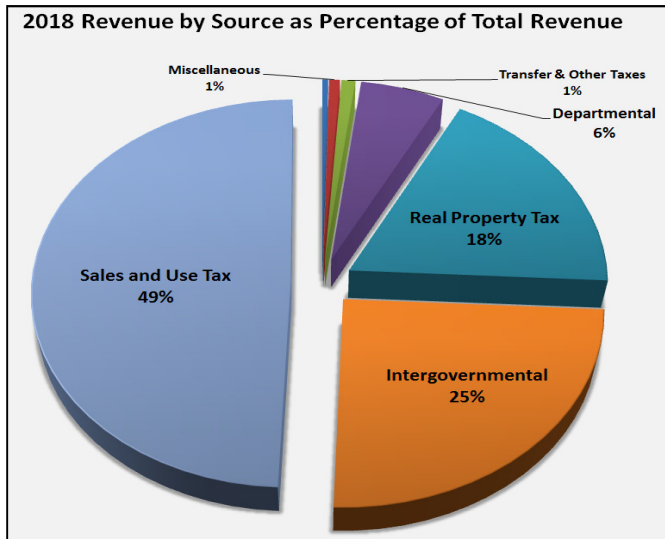
Erie County is also home to 40 distinct county park sites spanning nearly 10,000 acres. These parks offer recreational sports, hiking, biking, kayaking, golf, picnics, shelters, wildlife observation, and more. This includes the historic Buffalo Olmstead Park System, the nation's first system of parks, parkways and circles. Additionally, waterfront access to Lake Erie opens up miles of lake-front shore line, marinas, and beaches.



Financial Summary

Revenues - Where the County Gets Money to Pay Its Bills

The revenues presented are for the total governmental funds reported in the 2018 CAFR's Statement of Revenues, Expenditures, and Changes in Fund Balances. The three largest revenue sources, Sales and Use Taxes, Intergovernmental (Federal & State aid), and Real Property Taxes provided 92% of the total revenues.



Revenue Source	2018	2017	% Change	Description
Real Property Taxes	\$ 300,193	\$ 291,149	3.1	Tax levied on real property.
Sales and Use Taxes	813,134	779,855	4.3	Tax imposed on goods & services.
Transfer & Other Taxes	15,059	13,167	-14.4	Tax imposed by the County on real estate transactions. Tax is restricted to funding road and bridge projects.
Intergovernmental	408,427	409,571	-0.3	Revenue received primarily from New York State and Federal governments for services provided by Erie County.
Departmental	91,876	96,226	-4.5	Fees collected for various services provided to the general public.
Interest	6,326	12,195	-48.1	Interest earned on County money.
Miscellaneous	11,846	28,440	-58.4	Various sources of revenue.
Total Revenues	\$ 1,646,861	\$ 1,630,603	1.0	Revenue from all sources.

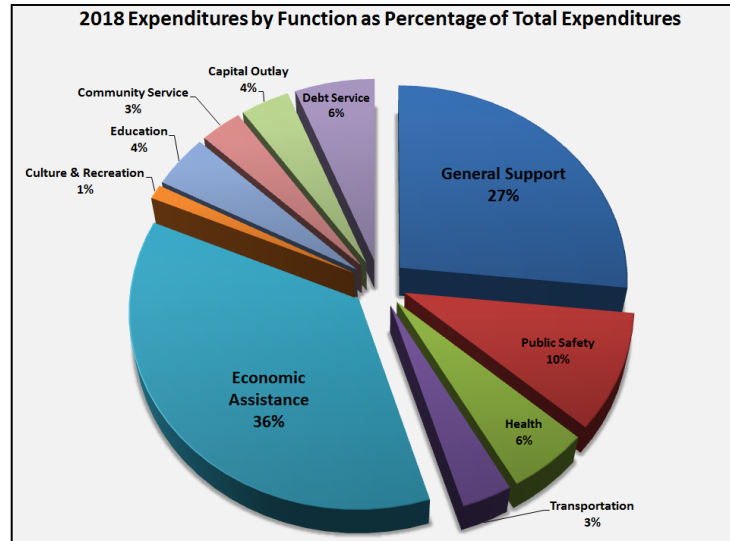
Source: Erie County CAFR, 2018 and 2017. All data presented in thousands, USD.

1. Miscellaneous Revenue includes interfund revenue of \$920 K and \$299 K, for 2018 and 2017, respectively.
2. Sales and Use Taxes includes sales tax to be shared with other municipalities.

Financial Summary

Expenditures - Where the County Spends Its Money

The expenditures presented below are for the total governmental funds reported in the 2018 CAFR's Statement of Revenues, Expenditures, and Changes in Fund Balances. The three largest expenditures, Economic Assistance, General Support, and Public Safety, included 73% of the total expenditures.



Expenditure Use	2018	2017	% Change	Description
General Support	\$ 437,215	\$ 418,945	4.4	Services to the general public and sales tax payments to municipalities.
Public Safety	160,533	155,063	3.5	Protection of people and property.
Health	89,235	87,306	2.2	Prevention and treatments.
Transportation	55,133	53,172	3.7	Services provided for the safe flow of vehicles and pedestrians.
Economic Assistance	595,888	609,499	-2.2	Services provided for the welfare of individuals and the community.
Culture & Recreation	19,406	18,411	5.4	Support for leisure activities.
Education	72,153	69,886	3.2	Support for educational services.
Community Service	52,193	50,330	3.7	Services for the general community.
Capital Outlay	60,854	66,081	-7.9	Infrastructure, machinery & equipment.
Debt Service	99,013	97,687	1.4	Principal and interest on County bonds.
Total Expenditures	\$ 1,641,623	\$ 1,626,380	0.9	Expenditures for all purposes.

Source: Erie County CAFR, 2018 and 2017. All data presented in thousands, USD.

Financial Summary

Fund Balance - How Much is Left After Paying the Bills

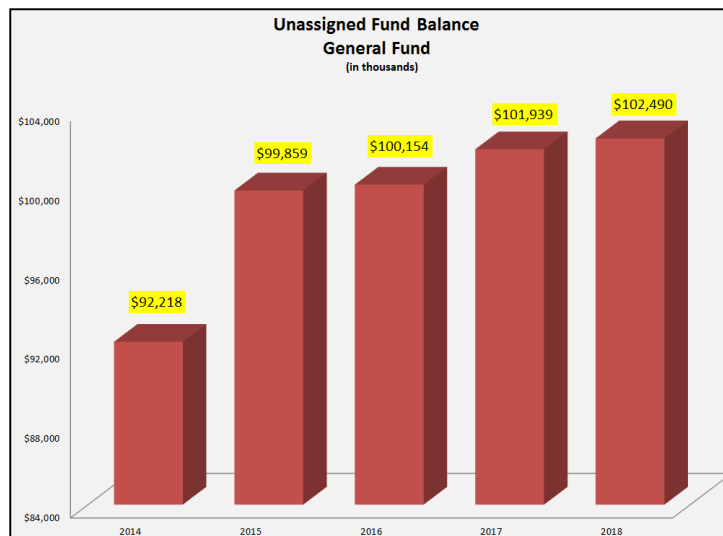
The fund balance is the amount of money available after paying all the bills. This is similar to the available balance in a checking account. Governments calculate the fund balance by netting all revenues and financing sources against all expenditures and financing uses. The difference equals the net change in fund balance. The net change is added to the beginning of year fund balance, and the result is the end of year fund balance. The calculation of the end of year fund balance is presented in the table below.

Total Governmental Funds	2018	2017	% Change
Revenues	\$ 1,646,861	\$ 1,630,603	1.0
Less: Expenditures	(1,641,623)	(1,626,380)	0.9
Plus: Other Financing Sources	29,428	44,241	-33.5
Net Change in Fund Balance	34,666	48,464	-28.5
Beginning of Year Fund Balance	358,084	309,620	15.7
End of Year Fund Balance	\$ 392,750	\$ 358,084	9.7

Source: Erie County CAFR, 2018 and 2017. All data presented in thousands, USD.

Unassigned Fund Balance in General Fund - “Rainy Day Fund”

The fund balance in the general fund may include four components, including nonspendable, restricted, assigned and unassigned. Unassigned fund balance provides a financial safety net since it is the only category that is available (with Legislative approval) for unexpected events such as a budget shortfall. Erie County has maintained a responsible fund balance for the last five years as shown in the graph below.

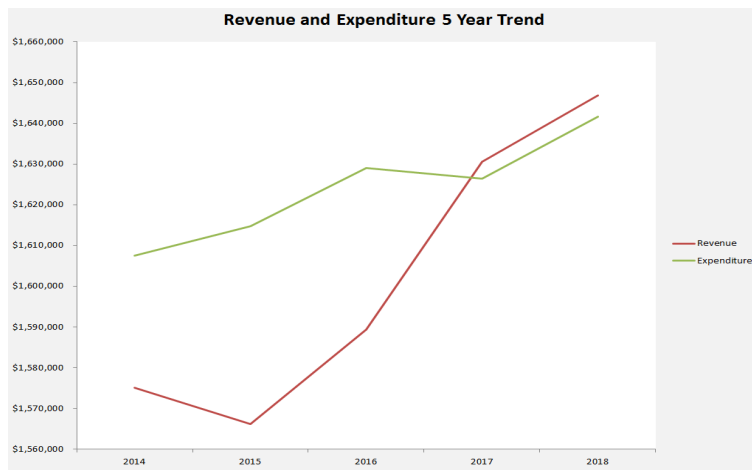


Source: Erie County CAFR, 2018, Statistical Section, “Fund Balances of Governmental Funds.”

Financial Summary

Financial Trends (2014-2018)

Revenues exceeded expenditures in 2017 and 2018 after being significantly below expenditures from 2014-2016. A good deal of this was due to the large increase in sales tax growth in 2017 and 2018. Revenues grew 4.56% over this period, while expenditures grew 2.12% during this period.

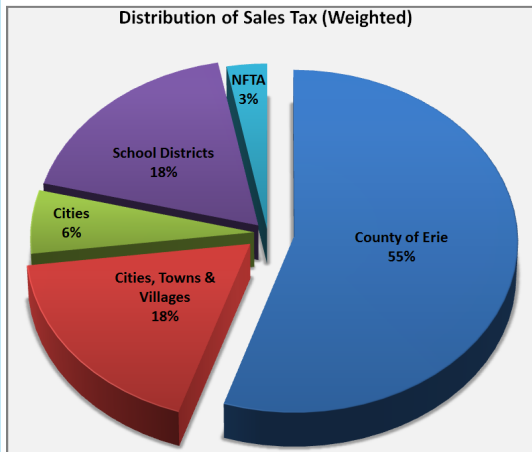


Source: Erie County PAFR, 2015—2018. All data presented in thousands, USD.

Sales Tax - How Much You Pay and How it is Distributed

A sales and use tax of 8.75% is applied to retail sales of certain goods and services in Erie County. The 8.75% tax includes a 4.00% rate imposed by New York State and a 4.75% rate imposed by Erie County.

New York State retains its share of the sales tax as revenue, and returns the 4.75% share to Erie County, for local distribution.



The County share of sales tax is 4.75%, which is comprised of a fixed component of 3.00%, and renewable components of 1.00% and 0.75%, both requiring legislative re-authorization. The tax is distributed among the County of Erie, towns, villages, school districts, the Niagara Frontier Transportation Authority (NFTA), and the Cities of Buffalo, Lackawanna and Tonawanda, according to sales tax sharing agreements. The chart (left) provides details of the cost-sharing components, and the pie chart illustrates the distribution of total sales tax by group.

Local Data & Economic Development

Largest Employers	Employees
State of New York	23,600
Federal Government	15,000
City of Buffalo	9,281
Kaleida Health	8,301
M&T Bank	7,400
Catholic Health System	7,184
University at Buffalo	7,076
Tops Friendly Markets	5,374
Erie County	4,113
ECMCC	3,450

Largest Colleges	Enrollment
University at Buffalo	26,732
SUNY Buffalo State	7,694
SUNY at Fredonia	4,413
Alfred State College	3,456
Niagara University	3,180

Demographic Data	
Land Border	County of Erie
Land Area	1,043 square miles
Population	919,719
Median Housing Value	\$ 139,900
Median Household Income	\$ 54,006
Average Household Size	2.32
Bachelor's Degree or Higher	32.9%
Unemployment Rate :	
Erie County (1)	4.4%
New York State (1)	3.9%
(1) Source: NYS Dept. of Labor	
(2) Source: U.S. Dept. of Labor	
Source: Demographics - U.S. Census Bureau	

Source: Buffalo Business First, *Book of Lists*, 2018. Erie County Employment, Erie County Comptroller's Office.

Economic Development:

In recent years, Buffalo and Erie County has seen a significant influx of private investment, not the least of which is showcased by the new Explore & More - The Ralph C. Wilson Children's Museum. It offers a family friendly experience centered on the Buffalo and Erie County community. With a projection of 250,000 visitors in the first year of operation, Explore & More will bring families to Canalside year-round. It is expected to make a \$200 million economic impact over the next 10 years. (Source: <https://exploreandmore.org/>)

Over the past few years, the Erie County Industrial Development Agency's (ECIDA) Adaptive Reuse program has leveraged public funds in conjunction with private investment to create 1,800 permanent new jobs. In addition, more than four million square feet of vacant derelict properties in the City of Buffalo has been redeveloped. (Source: <https://www.thepartnership.org/>)

Western New York was awarded \$66 million in state funding through the state's Regional Economic Development Council (REDC) in December of 2018. The funds will be directed for everything from municipal sewer upgrades to workforce training, as well as capital projects at non-profits and private companies. Included in these funding awards was \$1.2 million to Hauptman - Woodward Medical Research Institute for a biomedical R&D Center. Rosina Food Product will receive \$2 million towards its \$32 million protein operation expansion. Additionally, cultural and non-profits awards went to the Buffalo and Erie County Botanical Gardens for expansion. (Source Buffalo Business First December, 18 2018)

County Government

Elected Officials

County Executive

Mark C. Poloncarz
95 Franklin St.
Buffalo NY 14202
716.858.8500

County Comptroller

Stefan I. Mychajliw
95 Franklin St.
Buffalo NY 14202
716.858.8400

District Attorney

John J. Flynn
25 Delaware Ave.
Buffalo NY 14202
716.858.2400

County Clerk

Michael P. Kearns
92 Franklin St.
Buffalo NY 14202
716.858.8785

Sheriff

Timothy B. Howard
10 Delaware Ave.
Buffalo NY 14202
716.858.7618



Erie County Legislature

District 1

Barbara Miller-Williams
716.842.0490

District 2

April N. Baskin
716.858.8869

District 3

Peter J. Savage, III
716.832.0493

District 4

Kevin Hardwick
716.858.8672

District 5

Thomas A. Loughran
716.836.0198

District 6

Edward A. Rath III
716.858.8676

District 7

Patrick B. Burke
716.823.0752

District 8

John Bruso
716.681.2071

District 9

Lynne Dixon
716.858.8671

District 10

Joseph C. Lorigo
716.858.8922

District 11

John J. Mills
716.858.8850

Clerk (Appointed)

Robert M. Graber
716.858.8527

*Source: Erie County Board of Elections.
Listing effective 12.31.2018.*

Research Erie County Government Information Online:

www.erie.gov



The Erie County Whistleblower Hotline is a telephone and e-mail tip line by which County employees, County contractors or members of the public can anonymously report possible abuse in county government.

If you see or suspect waste, fraud or abuse of county resources, don't ignore it! Please take a minute and report your suspicions to our Erie County Whistleblower Hotline.

All calls or e-mails to the tip line go directly to the Comptroller's Division of Audit and Control, where professional career auditors will investigate every report or allegation.

This Report was Prepared and Distributed by the Office of:

Stefan I. Mychajliw

Erie County Comptroller

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