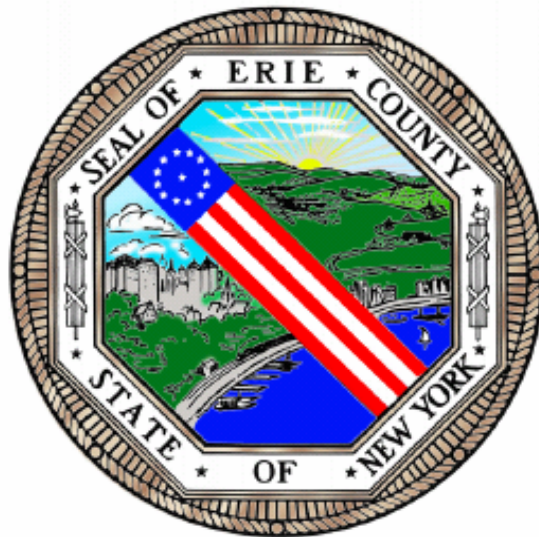


**COUNTY OF ERIE  
NEW YORK**

**Comprehensive Annual Financial Report**



**For the Year Ended December 31, 2006**

**MARK C. POLONCARZ**  
**Erie County Comptroller**

**COUNTY OF ERIE, NEW YORK**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Year Ended  
December 31, 2006**

**Prepared By:  
Erie County Comptroller's Office  
MARK C. POLONCARZ  
Erie County Comptroller**

**COUNTY OF ERIE, NEW YORK**  
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**FOR THE YEAR ENDED DECEMBER 31, 2006**

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## **INTRODUCTORY SECTION**

This section contains the following:

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



# County of Erie

MARK C. POLONCARZ  
COMPTROLLER

June 29, 2007

Erie County Legislature  
92 Franklin Street, 4<sup>th</sup> Floor  
Buffalo, New York 14202

Honorable Joel A. Giambra  
Erie County Executive  
95 Franklin Street, 16<sup>th</sup> Floor  
Buffalo, New York 14202

Dear Honorable Members and County Executive Giambra:

The Comprehensive Annual Financial Report ("CAFR") of the County of Erie, New York, (the "County") for the fiscal year ended December 31, 2006 is submitted in accordance with the requirements of Section 1202 (i) of the Erie County Charter.

## INTRODUCTION

### Management Representation

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 State Office of the State Comptroller. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the County. We believe the data as presented is accurate in all material respects, and is reported in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds. All disclosures have been included that were considered necessary to enable government decision-makers, as well as concerned citizens, to more readily understand and better evaluate the County's financial operations.

## Organization of Report

The CAFR is organized into three basic sections:

1. The INTRODUCTORY SECTION is intended to familiarize the reader with the organizational structure of the County, the nature and scope of the services that it provides, and the specifics of its legal operating environment.
2. The FINANCIAL SECTION includes the independent auditors' report on the basic financial statements, Management's Discussion and Analysis ("MD&A") of the County's overall financial position and results of operations, the audited basic financial statements including the accompanying note disclosures, and supporting statements to provide readers with a comprehensive understanding of the County's financial activities for the past fiscal year. This letter is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found beginning on page three of this report.
3. The STATISTICAL SECTION contains comprehensive statistical data on the County's physical, economic, social and political characteristics.

## The Reporting Entity and Its Services

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 County's component units are comprised of the Buffalo and Erie County Public Library; the Erie County Medical Center Corporation and its component units Research for Health in Erie County, Inc. and ECMC Lifeline Foundation, Inc.; component units of the Erie Community College proprietary fund, the Auxiliary Services Corporation of Erie Community College, Inc. and the Erie Community College Foundation, Inc.; the Erie County Fiscal Stability Authority ("ECFSA"); the Erie Tobacco Asset Securitization Corporation ("ETASC"); and the Erie Tax Certificate Corporation ("ETCC"). 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(A) to the financial statements.

The County provides a variety of mandated and discretionary services and facilities to its residents 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. Additionally, the County operates a community college.

## Background 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 largest city.

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

## Governmental Structure

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.

The legislative power of the County is vested in a 15-member governing board 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.

In 2005, through local law, the Erie County Legislature established and convened a Charter Revision Commission (“Commission”) to review the Charter. The Commission reported its findings and recommendations to the Erie County Legislature on June 20, 2006. In July 2006, through adoption of a local law, the County Legislature unanimously approved the Charter Revision Commission's recommendations. After a public hearing, the County Executive signed and approved the local law in August 2006. In November 2006, the Charter revisions pertaining to elected officials' powers and responsibilities were overwhelmingly approved by the voters through a public referendum.

Among the Charter changes were financial provisions transferring certain finance and revenue recovery personnel from the County Administration to the Office of Comptroller, which now assumes those responsibilities. In addition, the new Charter gives the County Comptroller the new power to declare a budget deficit (as well as the County Executive).

### **ERIE COUNTY’S 2006 BUDGET**

In July 2005, the New York State Legislature and Governor created the ECFSA to monitor the County’s finances. Under the Erie County Fiscal Stability Authority Act (“Act”), the legislation establishing the ECFSA, if the County fails to meet certain criteria, or if the County in fact 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 enter a control period and become a “hard” control board. In an advisory status, the ECFSA has the right to monitor the County, but cannot take action regarding the County’s finances or governance. However, in a control period, and under the terms of the Act, the ECFSA may engage in a number of actions including establishing a wage and/or hiring freeze, and setting maximum levels of County spending.

In mid-October 2005, in association with the ECFSA-required four-year financial plan, the County Executive presented his 2006 Budget to the Legislature for action. On November 15, 2005, the County Legislature approved the 2006 Budget with slight amendments, and the County Executive declined to veto the amendments. The Adopted 2006 Budget included a slight property tax increase and an increase in the sales tax of one-half of one percent (0.5%).

In January 2006, following a home rule request by the County, the State approved an increase in the local sales and compensating use tax of one-half of one percent (0.5%), raising the County sales tax to 8.75%.



During most of 2006, ECFSA remained in an advisory status. However, on November 3, 2006, citing their belief that the County's four-year financial plan was not balanced, ECFSA declared a control period for the remainder of the 2006 fiscal year and that remains in effect until rescinded.

## **ECONOMIC CONDITION AND OUTLOOK**

Following heavy job losses in the manufacturing sector in the early 1980s, the local economy has become more diversified with growth in the financial, health and service sectors. This diversification has tended to cushion local impacts during economic downturns, but strengthening the local economic base and improving the local economy has been a gradual, sometimes sporadic, process ongoing since the mid-1980s.

Unemployment trends in the County and the region has followed national trends by edging upward over the past several years but declining over the past two years. The County's unemployment rate was 5.0 percent in 2006, up from a historic low of 4.2 percent in 2000, but down from 5.7 percent in 2004 and 5.3 percent in 2005. Total non-farm employment was 545,800 in the Buffalo-Niagara Falls Metropolitan Statistical Area in 2005, down from 546,800 in 2005.

There has also been an emphasis on enhancing the "quality of life" and on further developing the region's considerable cultural and recreational potential as another means of attracting and retaining investment and jobs. This includes the County's significant financial investment in recent years in the area's cultural institutions, including the Frank Lloyd Wright architecture and the Buffalo and Erie County Zoological Gardens. The County's waterfront is also a major resource in this regard, and has been the focus of significant residential and commercial development. Ongoing development of the Erie Canal Harbor area is expected to provide a huge beneficial impact to the region. This includes the County's 2005 commitment of \$14 million of bond proceeds for infrastructure improvements associated with a proposed retail Bass Pro project in the Inner Harbor.

The resistance of the local economy to the worst effects of recessions, and the success to date of some local economic development activities has had a positive influence on the County's finances. While the cities in the County have experienced some stagnation or erosion of their tax bases, overall the local tax base has continued to slowly grow. Additionally, in 2006, the County's sales tax revenue reflected positive growth notwithstanding the County's increase of the sales tax by one-half of one percent in January 2006 and the County's increase of the sales tax by one-quarter of one percent in July 2005.

Medicaid relief continues to be critical for counties in New York State, as it constitutes the single costliest mandated program. Local governments in New York State support a greater portion of Medicaid costs than local governments of any other state. The County's Medicaid cost has increased by more than \$60 million since 1999. In 2005, the New York State Legislature and Governor agreed to cap the growth of Medicaid costs for counties and assume the burden above the cap. This has slightly eased pressure on county governments across the state, including Erie County, but even managed increases in Medicaid expense will continue to be a financial pressure point for the County.

## **MAJOR INITIATIVES**

Despite expenditure restraints imposed by the ECFSA control period, the 2007 budget includes the following modest initiatives:

- Over \$10 million of new efficiency initiatives are included.
- To give priority to public safety, the budget includes new staff for Jail Management, Probation, and the centralized 911 center in the Public Safety campus.
- As part of the effort to support the quality of life in our community and promote tourism in Erie County, the allocation to cultural institutions was increased.

## **FINANCIAL INFORMATION**

### **Internal Controls**

County management recognizes the need for the existence of a system of internal controls that will achieve the overall purposes of alerting management to departures from established policies and procedures, and detecting activities that have not been properly authorized or that undermine the attainment of organizational goals and objectives.

The control framework established by management includes two types of recognized controls (i.e., administrative controls and internal accounting controls). Administrative controls are broad controls governing all activities carried out by officials in order to accomplish their objectives. Internal accounting controls, which operate within the broader administrative control environment, are concerned with the safeguarding of assets and the reliability of financial records.

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. In connection with an independent audit, auditing standards generally accepted in the United States of America require consideration of internal control over financial reporting as a basis for designing audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Additionally, the Comptroller's Office Internal Audit Division ("Audit Division") gives continuous priority to testing compliance with, and recommending improvements to, the system of internal controls.

### **Accounting System**

The County Comptroller is responsible for the County's accounting and financial reporting. The accounting system is organized and operated on a "fund" basis, which is the basic fiscal and accounting entity in governmental accounting. The various fund types used, as well as a summary of significant accounting policies, are described in detail in Note I to the financial statements. In brief, accounting records for all governmental funds and the agency fund are maintained on a modified accrual basis, with revenues being recognized when they become measurable and available, and expenditures being generally recognized when the related fund liability is incurred. Accounting records for the proprietary funds are maintained on a full accrual basis.

### **Budgetary Controls**

Annual appropriated budgets, adopted for control of the General Fund; Road, Sewer, Downtown Mall, E-911 and Emergency Response Special Revenue Funds; the Utilities Aggregation Enterprise Fund;

and the Debt Service Fund, minimally detailed to the department, account and selected line item level are not presented in this report due to the excessive detail involved. However, a separate budgetary comparison report is available which contains this information. These budgets are adopted on a basis consistent with generally accepted accounting principles (“GAAP”), except that encumbrances are reported as budgeted expenditures in the year of incurrence of commitment to purchase in the General, the enumerated Special Revenue Funds and the Debt Service Fund. Budgetary control is maintained by applying various mechanical edits when processing encumbrances and subsequent payment transactions. Encumbrances outstanding at year-end for applicable governmental funds are accounted for as a reservation of fund balance. All unencumbered appropriations lapse at the end of the fiscal year.

### Monthly Accrual/Monitoring System

Since 1985, the County has maintained a Budget Monitoring System that 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, where appropriate, corrective measures are taken to ensure any projected deficit condition will be prevented or minimized.

### Debt Administration

The ratio of net general bonded debt to assessed valuation and the amount of net bonded debt per capita provide valuable information to management, citizens, and investors regarding the County's debt position. Based on the latest available data, these ratios, as of December 31, 2006, were 1.47 percent and \$482.64 respectively, based on net general bonded debt of \$444,700,999.

The County's current bond rating, as assigned by rating agencies, is as follows: Moody's: Baa3 (negative outlook); Fitch: BBB- (positive outlook); and Standard & Poor's: BBB (stable outlook). These ratings reflect negative factors relating to the County's financial condition, including the County's depletion of financial reserves, and ongoing fiscal pressures. That said, the County maintains a manageable debt position. In November 2006 Fitch upgraded the County's outlook from stable to positive.

### Cash Management

Available cash is deposited and invested in accordance with the provisions of applicable New York State statutes, and the County Comptroller's Office Investment Guidelines that have been approved by the County Legislature. In brief, monies must be deposited in demand or time accounts at, or certificates of deposit issued by, FDIC-insured commercial banks or trust companies located in the State. Except for Erie Community College checking accounts, deposits must be secured by a pledge of collateral securities by the financial institution. Checking accounts of colleges are not required to be collateralized unless the board of trustees deems it necessary, per New York State Education Law. Permissible types of investments include obligations of the U.S. Treasury and various federal agencies, contractual repurchase agreements and obligations of any state, municipality, school district or district corporation. Per existing policies, the underlying securities for repurchase transactions must be only federal obligations.

The Comptroller's Office oversees the investment of available cash balances. During 2006, the Comptroller's Office made a total of 2,908 investments, and the weighted average yield for such investments was 4.97 percent.

## Risk Management

The County assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Policies are maintained to provide coverage on items such as the Library System's rare books and valuable papers; boilers, machinery, buildings and certain contents thereof for the Community College's City, North and South campuses; and losses caused by crimes.

## OTHER RELEVANT INFORMATION

### 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. In 1985, Article XVIII of the Erie County Charter was amended to create an Audit Committee that is responsible for, among other things, recommending a specific firm or firms to conduct annual audits of the County and the Erie Community College. The five-member Audit Committee is comprised of two County legislators and one person from each of the following professions: law, public accounting, and banking. The requirement to have an independent audit performed has been complied with and the auditors' opinion is included in the Financial Section of this report.

### Certificate of Achievement

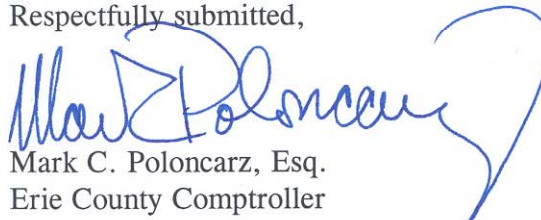
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report ("CAFR") for the fiscal year ended December 31, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### Acknowledgments

The preparation of this report would not have been possible were it not for the efforts of the Comptroller's Office Accounting Division staff, other cooperating County departments, and our independent auditor, Deloitte & Touche LLP. I would like to express my appreciation to all those who assisted and contributed to its preparation.

Respectfully submitted,



Mark C. Poloncarz, Esq.  
Erie County Comptroller

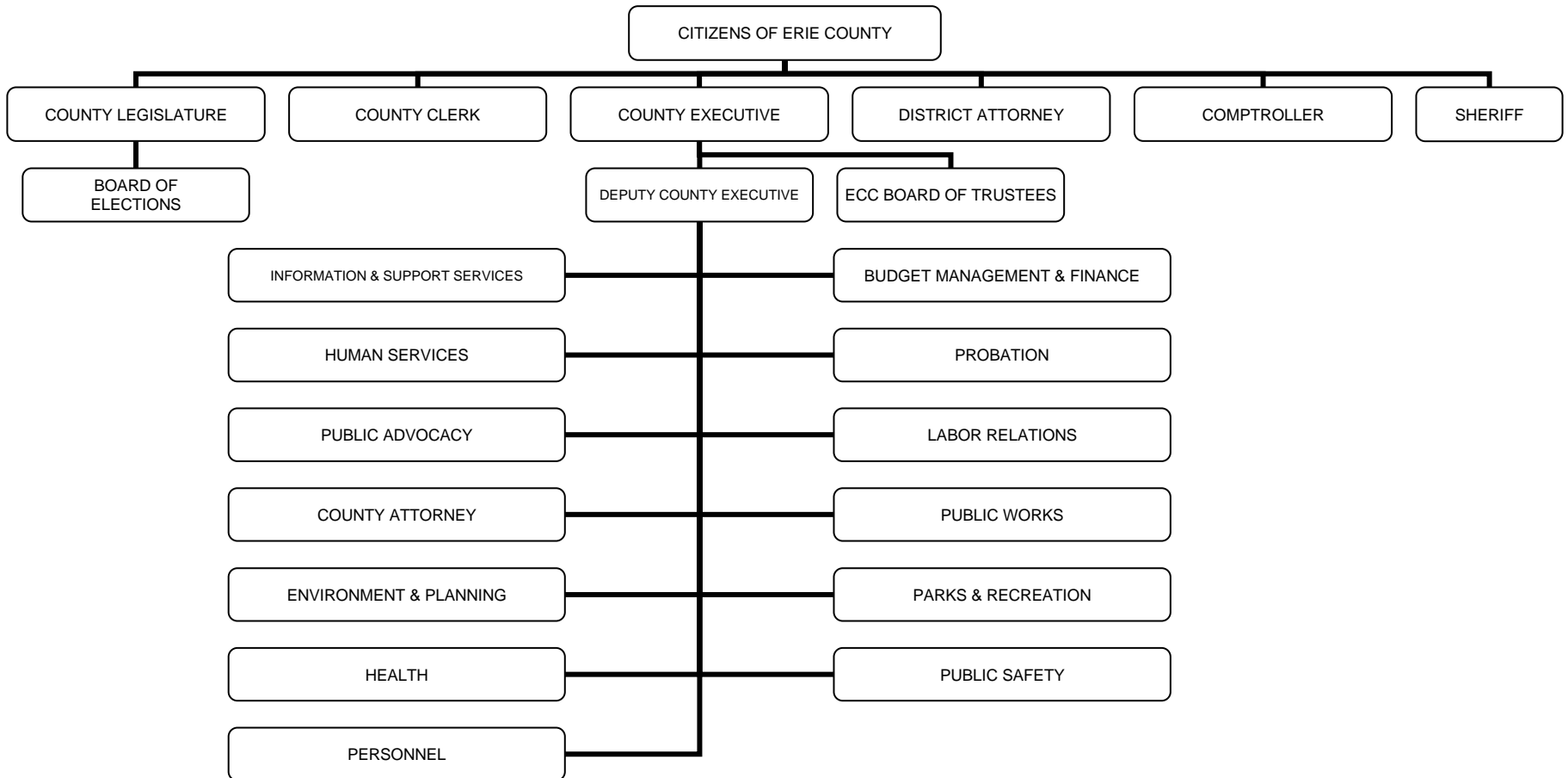
**COUNTY OF ERIE, NEW YORK**  
**SUMMARY OF ELECTED OFFICIALS**  
**December 31, 2006**

<b>COUNTY CLERK</b>	<b>COUNTY EXECUTIVE</b>	<b>DISTRICT ATTORNEY</b>	<b>SHERIFF</b>	<b>COUNTY COMPTROLLER</b>
David J. Swarts	Joel A. Giambra	Frank J. Clark	Timothy B. Howard	Mark C. Poloncarz

**ERIE COUNTY LEGISLATORS**

District No. 1	Daniel M. Kozub	District No. 9	Cynthia E. Locklear
District No. 2	Timothy M. Kennedy	District No. 10	Michele M. Iannello
District No. 3	George A. Holt, Jr.	District No. 11	Lynn M. Marinelli
District No. 4	Michael H. Ranzenhofer	District No. 12	Robert B. Reynolds, Jr.
District No. 5	Kathy Konst	District No. 13	John J. Mills
District No. 6	Maria R. Whyte	District No. 14	Thomas A. Loughran
District No. 7	Demone A. Smith	District No. 15	Barry A. Weinstein, M.D.
District No. 8	Thomas J. Mazur		

# ERIE COUNTY ORGANIZATIONAL CHART



XI

# 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, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## **FINANCIAL SECTION**

This section contains the following:

- **INDEPENDENT AUDITORS' REPORT**
- **MANAGEMENT'S DISCUSSION AND ANALYSIS**
- **BASIC FINANCIAL STATEMENTS**
- **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**



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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Erie, New York (the "County") as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Erie Community College, which represent 2.8% and 4.3%, respectively of the assets and revenues of the government wide financial statements. We did not audit the financial statements of the Erie Community College Foundation, Inc., and Auxiliary Services Corporation of Erie Community College, Inc., which are shown as aggregate discretely presented component units. We did not audit the financial statements of the Erie County Fiscal Stability Authority, which represent 7.5% and 30.8%, respectively of the assets and revenues of the governmental activities. We did not audit the financial statements of Erie County Medical Center Corporation, a discretely presented component unit. Additionally, we did not audit the financial statements of ECMC Lifeline Foundation, Inc. or Research for Health in Erie County, Inc, which are shown within the ECMCC discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion insofar as it related to amounts included for those aggregate discretely presented component units, is based solely on the reports of 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 an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note XIX, in recent years the County has experienced severe financial difficulties including substantial recurring operating deficits and diminished debt ratings when accessing the public credit markets. The plans of County management with regard to these matters are also described in Note XIX. The financial statements do not include any adjustments that might result for the outcome of this uncertainty.

The management's discussion and analysis as listed on pages 3 to 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of County management. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the County's respective financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the County's management. The combining and individual nonmajor governmental fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit are fairly states in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

June 27, 2007

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2006**

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, 2006, and incorporates financial information from the year ended December 31, 2005 for comparative analysis purposes. Please read it in conjunction with the County's basic financial statements following this section. **All amounts in this *Management's Discussion and Analysis*, unless otherwise indicated, are expressed in thousands of dollars.**

**FINANCIAL HIGHLIGHTS**

- The assets of the County exceeded liabilities at the close of the 2006 fiscal year by \$63,667 (*net assets*). This consists of \$23,246 restricted for specific purposes (*restricted net assets*), \$349,962 invested in capital assets, net of related debt, and deficit unrestricted net assets of \$309,541, at December 31, 2006.
- The primary government's total net assets increased by \$7,095. Governmental activities increased the County's net assets by \$6,084. Business type activities increased the County's net assets by \$1,011.
- As of December 31, 2006, the County's governmental funds reported combined fund balances of \$167,897, an increase of \$9,331 in comparison with the prior year. Approximately 55.3% of the total combined governmental funds fund balance, \$92,810, is available to meet the County's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, unreserved fund balance for the general fund was \$26,510 or 69.3% of the total general fund fund balance of \$38,233. Total unreserved designated general fund fund balance was \$3,441 at December 31, 2006.
- The total bonded debt of the primary government increased by \$32,887 or 4.1% during the current fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Combining and Individual Fund Financial Statements and Schedules*.

**Basic Financial Statements**

***Government-Wide Financial Statements*** are two statements designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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).

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2006**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

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 in part a 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 services. The business-type activities of the County include Erie Community College ("College") and the Utilities Aggregation Fund.

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 as a governmental activity in the government-wide financial statements. On November 3, 2006, the ECFSA imposed a control period on the County empowering the ECFSA to operate with its maximum authorized compliment of control and oversight powers over County finances. On that date, the Board also imposed a hiring freeze and a contract review process.

The government-wide financial statements include not only the County itself (*known as 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 *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*** are groupings of related accounts that are 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 can be 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 the governmental funds 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 fifteen 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 in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and ECFSA blended component unit (reported as a major special revenue fund). Data from the other governmental funds and blended component units are combined into a single, aggregated presentation.

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2006**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Concluded)**

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 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. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

**Combining and Individual Fund Financial Statements and Schedules** referred to earlier, provide Combining Statements for non-major 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 Notes to the Basic Financial Statements.

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2006**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$63,667 at the close of the most recent fiscal year.

**Summary of Erie County's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 505,927	\$ 526,105	\$ 34,654	\$ 41,069	\$ 540,581	\$ 567,174
Capital Assets	804,164	809,324	6,653	6,775	810,817	816,099
Total assets	<u>1,310,091</u>	<u>1,335,429</u>	<u>41,307</u>	<u>47,844</u>	<u>1,351,398</u>	<u>1,383,273</u>
Long-term liabilities	927,319	915,991	5,856	6,386	933,175	922,377
Other liabilities	333,650	376,400	20,906	27,924	354,556	404,324
Total liabilities	<u>1,260,969</u>	<u>1,292,391</u>	<u>26,762</u>	<u>34,310</u>	<u>1,287,731</u>	<u>1,326,701</u>
Net assets:						
Invested in capital assets, net of related debt	343,309	422,636	6,653	6,775	349,962	429,411
Restricted	23,246	101,205			23,246	101,205
Unrestricted	(317,433)	(480,803)	7,892	6,759	(309,541)	(474,044)
Total net assets	<u>\$ 49,122</u>	<u>\$ 43,038</u>	<u>\$ 14,545</u>	<u>\$ 13,534</u>	<u>\$ 63,667</u>	<u>\$ 56,572</u>

A significant portion of the County's net assets, at December 31, 2006, \$349,962 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 assets, \$23,246, represents resources that are subject to external restrictions on how they may be used.

The remaining and largest component of the County's net assets, a deficit of \$309,541, represents *unrestricted net assets* which reflect 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 ETASC Tobacco Settlement Asset-Backed bonds contributed greatly to this deficit as these bonds were issued to be paid back with future tobacco proceeds which will be received annually over the next fifty-three years. As the revenue recognition criteria for the receipt of future revenues has not been met, no asset has been recorded to offset the liability.

At the end of the current fiscal year, the County is able to report positive balances in two of the three categories of net assets for the County as a whole, and both categories for its business-type activities. Governmental activities has an unrestricted net asset deficit of \$317,433 at December 31, 2006.

The County's net assets increased by \$7,095 during the current fiscal year which is further explained in the next section.

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2006**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following table indicates the changes in net assets for governmental and business-type activities:

**Summary of Erie County's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues						
Charges for services	\$ 75,130	\$ 69,694	\$ 76,956	\$ 75,344	\$ 152,086	\$ 145,038
Operating grants and contributions	476,963	418,677	30,471	30,135	507,434	448,812
Capital grants and contributions	9,041	5,421			9,041	5,421
General revenues						
Property taxes	212,177	172,741			212,177	172,741
Sales taxes	365,087	281,019			365,087	281,019
Transfer taxes	10,720	11,256			10,720	11,256
State and local appropriations			27,894	25,815	27,894	25,815
Non-operating revenue						
Interest earnings not restricted to specific programs		104				104
Unrestricted interest earnings	7,268	4,760	955	403	8,223	5,163
Miscellaneous and other	14,643	7,793			14,643	7,793
Total revenues	<u>1,171,029</u>	<u>971,465</u>	<u>136,276</u>	<u>131,697</u>	<u>1,307,305</u>	<u>1,103,162</u>
Expenses:						
General government	86,640	124,393			86,640	124,393
Public safety	128,222	118,692			128,222	118,692
Health	110,413	80,468			110,413	80,468
Transportation	60,742	61,850			60,742	61,850
Economic assistance and opportunity	541,220	525,492			541,220	525,492
Culture and recreation	20,278	20,030			20,278	20,030
Education	67,310	62,870			67,310	62,870
Home and community service	82,954	44,792			82,954	44,792
Interest and fiscal charges	49,878	38,797			49,878	38,797
College			99,723	96,750	99,723	96,750
Utilities Aggregation			50,971	49,656	50,971	49,656
Total expenses	<u>1,147,657</u>	<u>1,077,384</u>	<u>150,694</u>	<u>146,406</u>	<u>1,298,351</u>	<u>1,223,790</u>
Excess (deficiency) before transfers	23,372	(105,919)	(14,418)	(14,709)	8,954	(120,628)
Transfers	<u>(17,288)</u>	<u>(15,419)</u>	<u>15,429</u>	<u>15,144</u>	<u>(1,859)</u>	<u>(275)</u>
Change in net assets	6,084	(121,338)	1,011	435	7,095	(120,903)
Net assets - beginning	<u>43,038</u>	<u>164,376</u>	<u>13,534</u>	<u>13,099</u>	<u>56,572</u>	<u>177,475</u>
Net assets - ending	<u>\$ 49,122</u>	<u>\$ 43,038</u>	<u>\$ 14,545</u>	<u>\$ 13,534</u>	<u>\$ 63,667</u>	<u>\$ 56,572</u>

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2006**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concluded)**

**Governmental activities**

Governmental activities increased the County's net assets by \$6,084 or 14.1%. Revenues and expenses increased by \$199,564 (20.5%) and \$70,273 (6.5%) respectively, and transfers out increased \$1,869 from 2005 to 2006. Key elements of this increase are as follows:

- The \$84,068 (29.9%) increase in the sales taxes category was primarily the result of the implementation of a one-quarter of one percent increase in July 2005 that was in effect for all of 2006 (\$16,791) and the implementation of a one-half of one percent increase effective January 15, 2006 (\$61,522).
- Revenue from property taxes increased by \$39,436 (22.8%). Increases to the total tax levy (\$33,147) accounted for most of the increase.
- Operating grants and contributions increased by \$58,286 (13.9%) during the year. Most of this increase (\$41,608) was a result of revenues received from the Federal Emergency Management Agency (FEMA) as reimbursement of expenditures associated with the clean up of major snow storm damage that occurred in October 2006.
- Expenses for health increased by \$29,945 (37.2%) over 2005 amounts. The County incurred \$35,559 in expenses for capital assets purchased for or being constructed for the ECMCC component unit above the 2005 amount. These capital assets are owned by ECMCC and reported in their financial statements.
- Home and community services expenses increased by \$38,162 (85.2%) primarily as a result of \$41,608 of clean up expenses, reimbursed by FEMA, incurred as a result of the major October 2006 snow storm.

**Business-type activities**

Business-type activities increased the County's net assets by \$1,011 compared to an increase of \$435 in 2005. The College generated an increase in net assets of \$622 and \$130 for the years ended August 31, 2006 and 2005, respectively. The operating loss at August 31, 2006 exceeded that at August 31, 2005 by \$2,418 as operating revenues generated increased \$549 but operating expenses increased \$2,967. Revenues generated in 2006 for student tuition and fees rate increases were partially offset by a slight decline in enrolled students. The County sponsorship share of support to the College for the College's fiscal year ended August 31, 2006 was approximately \$17,288 and is reported as a 2006 operating transfer to the College from the County's General Fund. However, \$1,859 of the 2006 transfers occurred subsequent to the end of the College fiscal period reported in these statements.

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

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**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 OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2006**

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)**

County's financing requirements. In particular, *unreserved fund balance* 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, 2006, the County's governmental funds reported combined fund balances of \$167,897, an increase of \$9,331 in comparison with the prior year. Approximately 55.3% of the combined fund balances, \$92,810, constitutes *unreserved fund balance*, which is available to meet the County's current and future operational and capital needs. The remainder of fund balance is *reserved* to indicate that it is *not* available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the prior period (\$29,072); (2) to pay debt service (\$35,757); (3) to reflect prepaid items and loans that are long-term in nature and thus do not represent available spendable resources (\$7,154); and (4) for a variety of other restricted purposes (\$3,104).

The general fund is the chief operating fund of the County. At December 31, 2006, unreserved fund balance of the general fund was \$26,510 while total fund balance was \$38,233. As a measure of the general fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 3.1% of total expenditures (excluding other financing uses), while total fund balance represents 4.5% of that same amount.

Fund Balance in the County's general fund increased by \$23,825 during the current fiscal year compared to last year when the general fund experienced an increase of \$9,475. Key factors in this \$14,350 growth were as follows:

- Revenues from real property taxes increased by \$27,360.
- Sales and use taxes revenue decreased by \$113,054 primarily as a result of the creation of ECFSA that began intercepting this revenue source, deducting its operating expenditures and then transferring the remaining monies to the County beginning in July of 2005. Transfers in from ECFSA for sales tax increased by \$198,220 during the year. The combined increase (\$85,166) consisted primarily of the implementation of the one-quarter of one percent sales tax increase implemented in July 2005 that was in effect for all of 2006 (\$16,791) and the implementation of a one-half of one percent increase effective January 15, 2006 (\$61,522).
- Departmental revenues increased by \$6,658. Fees generated by the County Clerk's Office (\$4,577) and various accounts for the Social Services Department and various other repayments and recoveries (\$1,342) experienced the largest increases in this category.
- Total expenditures increased by \$13,674 (1.6%) of which \$8,781 was attributed to increased Economic Assistance and Opportunity expenditures primarily for contractual services, interdepartmental billings and disproportionate share medical assistance payments.
- Bonds (\$6,500) to finance future capital projects of ECMCC were issued during 2006.
- Transfers in increased by a total of \$123,627. The increase for transfers in from ECFSA for sales tax (\$198,220) was offset by a \$74,593 decrease in the amount realized from ETASC tobacco securitization bond transactions in 2006. The amounts for 2006 and 2005 were \$15,638 and \$90,231 respectively.
- Increases in transfers out for general debt service (\$20,507), to support ETCC operations, (\$7,193), and to support other operations (\$2,891) comprised the \$30,591 2006 total increase.

The Road Special Revenue Fund, an other governmental fund of the County, reported a deficit fund balance of \$2,750 at December 31, 2006. At December 31, 2005, the ending deficit fund balance was \$1,615. Future revenues or transfers are expected to remediate the deficit fund balance.

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2006**

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Concluded)**

The ETCC Blended Component Unit (Special Revenue Fund) fund balance was \$0 at December 31, 2006 negating a deficit fund balance (\$4,525) that existed at the end of the previous fiscal year. Total transfers in from the County's general fund to the ETCC amounted to \$7,193.

The County's Buildings, Equipment and Improvements fund balance decreased by \$10,131 during the year (22.2%). The primary factor creating this decrease was that yearly capital outlay (\$25,516) exceeded proceeds from new borrowings (\$5,670).

The County's Sewer Facilities Equipment and Improvement Fund ending fund balance increased by \$2,217 (40.9%) over the fiscal 2005 ending balance. During the year, general obligation bonds were issued to fund capital projects (\$6,441) including \$5,572 that was expended this fiscal year. Transfers in amounted to \$1,129.

The Tobacco Proceeds fund balance decreased by \$4,165 to a year end balance of \$4,159 as a result of transfers out to fund capital project expenditures in other capital project funds.

The ECMCC Capital Projects Fund decreased by \$10,094 mainly as a result of \$35,559 expended net of \$26,350 of general obligation debt issued for future capital improvement projects at ECMCC.

**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 unrestricted net assets of \$6,288 at August 31, 2006, that comprises 48.6% of the total net assets of the College.

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

**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	
	College 8/31/2006	Utilities Aggregation	<u>Total</u>
Operating revenues	\$ 56,067	\$ 51,360	\$ 107,427
Operating expenses	<u>99,690</u>	<u>50,971</u>	<u>150,661</u>
Operating loss	(43,623)	389	(43,234)
Non-operating revenues , net	<u>28,816</u>	<u>          </u>	<u>28,816</u>
Net (loss) income before contributions and transfers	(14,807)	389	(14,418)
Transfers	15,429	<u>          </u>	15,429
Change in net assets	<u>\$ 622</u>	<u>\$ 389</u>	<u>\$ 1,011</u>

The net loss before contributions and transfers of enterprise funds of \$14,418 is comprised of a net loss of \$14,807 for the College and a net gain of \$389 for the Utilities Aggregation Fund.

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

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2006**

**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 year there was a \$357,210 decrease in total budgeted revenues between the original and final budget. The main components of the net decrease is the reclassification of \$355,002 from the Sales and Use Taxes line to the Transfers In line to match sales tax transfers received from the ECFSA.

The budget for Other Financing Sources was increased during the year by \$377,522, primarily for the Sales and Use Taxes reclassification referred to in the previous paragraph, the proceeds from the issuance of Tobacco Securitization Bonds through ETASC (\$15,638) and the issuance of bonds (\$6,500) to finance future capital projects of ECMCC.

Budgeted appropriations and Other Financing Uses increased by \$22,988. Budgeted expenditure increases in Public Safety (\$31,129) and Health (\$13,793), primarily for reclassifications of fringe benefits from General Government Support; and Economic Assistance and Opportunity (\$8,949), primarily for reclassifications of fringe benefits from General Government Support net of reductions in personal services and various social services programs, were partially offset by budgeted expenditure decreases in General Government Support (\$44,506), primarily due to reclassifications in the County-wide fringe benefit accounts to other functions as noted previously, net of increases for expenditures for services provided by the ECMCC. The total favorable budget to actual variance for the year amounted to \$26,287.

For the year, actual revenues were less than budget by \$7,049. A negative budgetary variance in intergovernmental revenue amounted to \$21,802 as a result of reduced reimbursable expenditures. Interest exceeded budget by \$3,940 as a result of higher interest rates and higher cash balances available for investment. Miscellaneous revenue also experienced a positive variance (\$6,233).

Actual expenditures were less than budget by \$32,632 primarily due to savings in the General Government Support (\$8,745), Economic Assistance and Opportunity (\$11,476) and Health (\$9,041) categories for salaries and fringe benefits, various social services programs and contractual payments respectively.

**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, 2006, amounted to \$810,817 (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 0.6%.

Major capital asset events during the current fiscal year included the addition of buildings and improvements assets of \$43,310. Depreciation on infrastructure assets exceeded additions by \$8,031.

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2006**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Concluded)**

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

**Summary of Erie County's Capital Assets  
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 28,870	\$ 28,564	\$	\$	\$ 28,870	\$ 28,564
Buildings and Improvements	284,740	256,664	620	514	285,360	257,178
Improvements other than Buildings	11,833	10,940	59	62	11,892	11,002
Sewer and Transportation Networks	400,113	408,144			400,113	408,144
Machinery and Equipment	48,040	43,659	4,288	4,754	52,328	48,413
Library Collections			1,317	1,307	1,317	1,307
Construction in Progress	<u>30,568</u>	<u>61,353</u>	<u>369</u>	<u>138</u>	<u>30,937</u>	<u>61,491</u>
Total	\$ <u>804,164</u>	\$ <u>809,324</u>	\$ <u>6,653</u>	\$ <u>6,775</u>	\$ <u>810,817</u>	\$ <u>816,099</u>

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34. The County has elected to depreciate their infrastructure assets. Additional information on the County's capital assets can be found in Note I(F) and Note VIII of this report.

**Long-term Debt**

At December 31, 2006, the primary government had total bonded debt outstanding of \$844,745 as compared to \$811,858 in the prior year. During the year, payments and other reductions of debt amounted to \$37,033. Additions, accretions and other adjustments amounted to \$69,920.

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 \$2,439,968, which is only 23% exhausted by the County's outstanding general obligation debt of \$562,286.

The County's current bond rating, as assigned by rating agencies, is as follows: Moody's: Baa3 (negative outlook); Fitch: BBB- (positive outlook); and Standard & Poor's: BBB (stable outlook). In November 2006 Fitch upgraded the County's outlook from stable to positive.

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

**SUBSEQUENT EVENT**

As also described in Note XVIII on page 78 of this report, the County issued \$75,000 in Revenue Anticipation Notes in June 2007.

**REQUEST 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 Office of Comptroller of Erie County, 95 Franklin Street, Buffalo, New York 14202.

## **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.

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COUNTY OF ERIE, NEW YORK  
Statement of Net Assets  
December 31, 2006  
(amounts expressed in thousands)

	Primary Government			Component Units		
	Governmental Activities	Business - Type Activities	Total	Library	ECMCC	Other
<b>ASSETS</b>						
Cash and cash equivalents	\$ 137,370	\$ 26,362	\$ 163,732	\$ 5,494	\$ 41,486	\$ 1,009
Investments	24,096		24,096		27,803	1,110
Restricted cash and cash equivalents					42,739	
Receivables (net of allowances)	314,890	9,219	324,109	708	51,153	157
Due from primary government					10,760	
Due from component unit	9,109	4,493	13,602			
Internal balances	10,576	(5,537)	5,039			
Inventories					4,924	45
Prepaid items	5,611	117	5,728	243	468	2
Other assets	4,275		4,275		5,565	1,517
Capital assets						
Land, rare books and construction in progress	59,438	369	59,807	10,585	669	
Other capital assets, net of depreciation	744,726	6,284	751,010	6,953	73,862	676
<b>Total assets</b>	<b>1,310,091</b>	<b>41,307</b>	<b>1,351,398</b>	<b>23,983</b>	<b>259,429</b>	<b>4,516</b>
<b>LIABILITIES</b>						
Accounts payable	70,660	4,141	74,801	602	17,266	126
Accrued liabilities	57,318	7,263	64,581	543	47,157	1,003
Due to component unit	10,760		10,760			
Due to primary government					13,602	
Unearned revenue	74,847	9,502	84,349	336		
Short-term debt	120,065		120,065			
Long-term liabilities						
Due within one year	62,946	2,143	65,089	857		
Due in more than one year	864,373	3,713	868,086	1,511	113,617	
<b>Total liabilities</b>	<b>1,260,969</b>	<b>26,762</b>	<b>1,287,731</b>	<b>3,849</b>	<b>191,642</b>	<b>1,129</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	343,309	6,653	349,962	17,538	(6,345)	
Restricted for:						
Capital projects					32,706	
Debt service	22,799		22,799		9,138	
Other purposes	447		447		355	1,607
Unrestricted	(317,433)	7,892	(309,541)	2,596	31,933	1,780
<b>Total net assets</b>	<b>\$ 49,122</b>	<b>\$ 14,545</b>	<b>\$ 63,667</b>	<b>\$ 20,134</b>	<b>\$ 67,787</b>	<b>\$ 3,387</b>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK  
Statement of Activities  
For the year ended December 31, 2006  
(amounts expressed in thousands)

Functions/Programs	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE and CHANGES IN NET ASSETS					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT			COMPONENT UNITS		
					Governmental Activities	Business-Type Activities	Total	Library	ECMCC	Other
Primary government:										
Governmental activities:										
General government	\$ 86,640	\$ 20,736	\$ 8,497	\$ 63	\$ (57,344)	\$	\$ (57,344)	\$	\$	\$
Public safety	128,222	8,524	27,843	5,854	(86,001)		(86,001)			
Health	110,413	4,466	64,278		(41,669)		(41,669)			
Transportation	60,742	729	6,705	2,245	(51,063)		(51,063)			
Economic assistance and opportunity	541,220	26,186	265,487		(249,547)		(249,547)			
Culture and recreation	20,278	3,462	1,364	59	(15,393)		(15,393)			
Education	67,310	764	38,534	296	(27,716)		(27,716)			
Home and community service	82,954	10,263	55,157	524	(17,010)		(17,010)			
Interest and fiscal charges	49,878		9,098		(40,780)		(40,780)			
Total governmental activities	1,147,657	75,130	476,963	9,041	(586,523)		(586,523)			
Business-type activities:										
Community College (August 31, 2006)	99,690	25,596	30,471			(43,623)	(43,623)			
Nonmajor fund	50,971	51,360				389	389			
Total business-type activities	150,661	76,956	30,471	0		(43,234)	(43,234)			
Total primary government	\$ 1,298,318	\$ 152,086	\$ 507,434	\$ 9,041	(586,523)	(43,234)	(629,757)			
Component unit:										
Library	\$ 23,782	\$ 767	\$ 3,552	\$				(19,463)		
ECMCC	333,880	301,941	20,509	34,717					23,287	
Other component units	3,613	2,743	1,197							327
Total component units	\$ 361,275	\$ 305,451	\$ 25,258	\$ 34,717				(19,463)	23,287	327
General revenues:										
Property taxes levied for mall, sewer, and general purposes					212,177		212,177			
Property taxes levied for library								21,672		
Sales and use taxes					365,087		365,087			
Transfer taxes					10,720		10,720			
Unrestricted state and local appropriations						27,894	27,894			
Interest earnings not restricted to specific programs								67	2,927	
Unrestricted interest earnings					7,268	955	8,223			46
Miscellaneous					14,460		14,460	467	35,861	
Gain (loss) on sale of capital assets					183	(33)	150			
Transfers					(17,288)	15,429	(1,859)			
Total general revenues and transfers					592,607	44,245	636,852	22,206	38,788	46
Change in net assets					6,084	1,011	7,095	2,743	62,075	373
Net assets - beginning					43,038	13,534	56,572	17,391	5,712	3,014
Net assets - ending	\$	\$	\$	\$	\$ 49,122	\$ 14,545	\$ 63,667	\$ 20,134	\$ 67,787	\$ 3,387

See accompanying notes to the financial statements.



COUNTY OF ERIE, NEW YORK  
Balance Sheet  
Governmental Funds  
December 31, 2006  
(amounts expressed in thousands)

	General	ECFSA General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 122	\$ 467	\$ 136,781	\$ 137,370
Investments			24,096	24,096
Receivables (net of allowances)				
Real property taxes, interest, penalties and liens	33,045		12,068	45,113
Other	3,673		25,177	28,850
Due from other funds	73,596		2,118	75,714
Due from component unit	9,108		1	9,109
Due from other governments	136,594	41,563	61,220	239,377
Prepaid items	5,098	7	506	5,611
Loan receivable	1,550			1,550
<b>Total assets</b>	<b>\$ 262,786</b>	<b>\$ 42,037</b>	<b>\$ 261,967</b>	<b>\$ 566,790</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 12,088	\$ 74	\$ 38,743	\$ 50,905
Accrued liabilities	40,794	7	3,559	44,360
Due to other funds		41,563	23,575	65,138
Due to component unit	4,406			4,406
Due to other governments	16,223		916	17,139
Retained percentages payable	9		2,607	2,616
Unearned revenue	21,616		53,231	74,847
Deferred revenue	19,417			19,417
Short-term debt	110,000		10,065	120,065
<b>Total liabilities</b>	<b>224,553</b>	<b>41,644</b>	<b>132,696</b>	<b>398,893</b>
<b>Fund Balances</b>				
<b>Reserved for:</b>				
Encumbrances	4,956		24,116	29,072
Debt service			35,757	35,757
Loan receivable	1,550			1,550
Prepaid items	5,098		506	5,604
Repairs			2,657	2,657
E-911 system costs			328	328
Handicapped parking	119			119
<b>Unreserved, reported in:</b>				
<b>General fund</b>				
Designated	3,441			3,441
Undesignated	23,069			23,069
<b>Special revenue funds</b>				
Designated			4,713	4,713
Undesignated		393	2,407	2,800
<b>Capital projects fund</b>				
Designated			4,702	4,702
Undesignated			54,085	54,085
<b>Total fund balances</b>	<b>38,233</b>	<b>393</b>	<b>129,271</b>	<b>167,897</b>
<b>Total liabilities and fund balances</b>	<b>\$ 262,786</b>	<b>\$ 42,037</b>	<b>\$ 261,967</b>	<b>\$ 566,790</b>

See accompanying notes to the financial statement:

COUNTY OF ERIE, NEW YORK  
 Reconciliation of Statement of Net Assets  
 To Governmental Fund Balances  
 For the year ended December 31, 2006  
 (amounts expressed in thousands)

	<u>Governmental Activities</u>
Total Governmental Fund Balances	\$ 167,897
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	804,164
Other long-term assets, real property taxes, are not available to pay for current-period expenditures and therefore are deferred in the funds.	16,417
Due from a component unit was not available to pay for current-period expenditures and therefore is deferred in the funds.	3,000
Costs associated with the issuance of bonds are capitalized in the statement of net assets and are expensed in the governmental funds in the year the bonds are issued.	4,275
Due to a component unit was deemed to be not due and payable in the current period and therefore not reported in the funds.	(6,354)
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	\$ (12,958)
Compensated absences	(22,682)
Retirement	(12,691)
Judgments and claims	(47,201)
Unamortized bond premium	(22,632)
Bonds payable	(822,113)
Net assets of governmental activities	<u>\$ 49,122</u>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended December 31, 2006

(amounts expressed in thousands)

	General	ECFSA General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Real property taxes and tax items	\$ 176,063	\$	\$ 24,945	\$ 201,008
Sales and use taxes	7,279	355,002	2,806	365,087
Transfer taxes			10,720	10,720
Intergovernmental	318,141		160,092	478,233
Interfund revenues			250	250
Departmental	61,930		13,156	75,086
Interest	6,044	1,224	7,815	15,083
Miscellaneous	8,642		1,966	10,608
Total revenues	<u>578,099</u>	<u>356,226</u>	<u>221,750</u>	<u>1,156,075</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government support	89,509	484	8,648	98,641
Public safety	110,034		15,880	125,914
Health	59,391		12,893	72,284
Transportation	19,574		22,240	41,814
Economic assistance and opportunity	488,214		52,453	540,667
Culture and recreation	17,211		366	17,577
Education	65,334		356	65,690
Home and community service	2,116		75,812	77,928
Capital outlay			75,997	75,997
<b>Debt service:</b>				
Principal retirement			36,516	36,516
Interest and fiscal charges	5,385		41,092	46,477
Total expenditures	<u>856,768</u>	<u>484</u>	<u>342,253</u>	<u>1,199,505</u>
(Deficiency) excess of revenues over expenditures	<u>(278,669)</u>	<u>355,742</u>	<u>(120,503)</u>	<u>(43,430)</u>

COUNTY OF ERIE, NEW YORK  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the year ended December 31, 2006  
(amounts expressed in thousands)

	<u>General</u>	<u>ECFSA General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses) :				
Issuance of general obligation debt	6,500		63,705	70,205
Discount on bond issuance			(514)	(514)
Premium on bond issuance			175	175
Sale of property	179		4	183
Transfers in	371,022		72,799	443,821
Transfers out	(75,207)	(355,384)	(30,518)	(461,109)
Total other financing sources (uses)	<u>302,494</u>	<u>(355,384)</u>	<u>105,651</u>	<u>52,761</u>
Net change in fund balances	23,825	358	(14,852)	9,331
Fund balances at beginning of year	<u>14,408</u>	<u>35</u>	<u>144,123</u>	<u>158,566</u>
Fund balances at end of year	<u>\$ 38,233</u>	<u>\$ 393</u>	<u>\$ 129,271</u>	<u>\$ 167,897</u>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the year ended December 31, 2006  
 (amounts expressed in thousands)

		<u>Governmental Activities</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances-total governmental funds	\$	9,331
<p>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 in the current period</p>		
Capital outlays, net of disposals of \$268	\$ 40,618	
Depreciation	<u>(45,778)</u>	
Net adjustment		(5,160)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.</p>		
Real property taxes	\$ 11,379	
Due from component unit	<u>3,000</u>	
Total adjustment		14,379
<p>Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term debt and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.</p>		
Bonds issued	(70,205)	
Discount on bond issuance	461	
Premium on bond issuance	<u>(175)</u>	
Total Proceeds		(69,919)
Principal retirement	36,516	
Principal retirement - Library component unit reimbursement	(208)	
Amortization of fiscal charges	<u>2,173</u>	
Total repayments		<u>38,481</u>
Net adjustment		(31,438)
<p>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.</p>		
Due to component unit	2,934	
Interest on bonds	(5,521)	
Compensated absences	(572)	
Retirement	25,215	
Claims and judgments (Long term change only)	<u>(3,084)</u>	
Net adjustment		18,972
Change in net assets of governmental activities	<u>\$</u>	<u>6,084</u>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK  
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, 2006  
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance Final Budget- Positive (Negative)
<b>Revenues:</b>				
Real property taxes and tax items	\$ 176,042	\$ 170,203	\$ 176,063	\$ 5,860
Sales and use taxes	361,808	7,368	7,279	(89)
Intergovernmental	336,237	339,943	318,141	(21,802)
Departmental	62,805	63,134	61,930	(1,204)
Interest	3,328	2,104	6,044	3,940
Miscellaneous	2,138	2,409	8,642	6,233
Total revenues	<u>942,358</u>	<u>585,161</u>	<u>578,099</u>	<u>(7,062)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government support	141,953	97,449	88,702	8,747
Public safety	79,188	110,308	110,004	304
Health	55,670	69,463	60,422	9,041
Transportation	19,461	19,574	19,574	
Economic assistance and opportunity	491,169	500,138	488,642	11,496
Culture and recreation	15,407	18,181	16,794	1,387
Education	64,681	66,906	65,331	1,575
Home and community service	1,607	2,223	2,128	95
<b>Debt service:</b>				
Interest and fiscal charges	5,385	5,385	5,385	
Total expenditures	<u>874,521</u>	<u>889,627</u>	<u>856,982</u>	<u>32,645</u>
Excess (deficiency) of revenues over expenditures	<u>67,837</u>	<u>(304,466)</u>	<u>(278,883)</u>	<u>25,583</u>
<b>Other financing sources (uses):</b>				
Issuance of general obligation debt		6,500	6,500	
Sale of property	70	70	179	109
Transfers in		371,022	371,022	
Transfers out	(67,907)	(75,802)	(75,207)	595
Total other financing sources (uses)	<u>(67,837)</u>	<u>301,790</u>	<u>302,494</u>	<u>704</u>
(Deficiency) excess of revenue and other financing sources over expenditures and other financing uses	<u>\$ 0</u>	<u>\$ (2,676)</u>	<u>\$ 23,611</u>	<u>\$ 26,287</u>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK  
Statement of Net Assets  
Proprietary Funds  
December 31, 2006  
(amounts expressed in thousands)

	Business - Type Activities Enterprise Funds		
	Community College	Nonmajor Fund	Total
	August 31, 2006		
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 26,362	\$	\$ 26,362
Receivables (net of allowances)	2,977	1,486	4,463
Due from other funds	1,890	2,154	4,044
Due from component unit		4,493	4,493
Due from other governments		4,756	4,756
Prepaid items		117	117
Total current assets	<u>31,229</u>	<u>13,006</u>	<u>44,235</u>
<b>Noncurrent Assets</b>			
Capital assets, net of depreciation			
Construction in progress	369		369
Other capital assets, net of depreciation	6,284		6,284
Total noncurrent assets	<u>6,653</u>	<u>0</u>	<u>6,653</u>
Total assets	<u>37,882</u>	<u>13,006</u>	<u>50,888</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	866	3,275	4,141
Accrued liabilities	5,434	1,829	7,263
Due to other funds	3,283	6,298	9,581
Fringe benefits payable - current	2,143		2,143
Deferred revenue	9,502		9,502
Total current liabilities	<u>21,228</u>	<u>11,402</u>	<u>32,630</u>
<b>Noncurrent Liabilities:</b>			
Fringe benefits payable	3,713		3,713
Total noncurrent liabilities	<u>3,713</u>	<u>0</u>	<u>3,713</u>
Total liabilities	<u>24,941</u>	<u>11,402</u>	<u>36,343</u>
<b>Net Assets</b>			
Invested in capital assets	6,653		6,653
Unrestricted, reported in:			
Community College	6,288		6,288
Nonmajor Fund		1,604	1,604
Total net assets	<u>\$ 12,941</u>	<u>\$ 1,604</u>	<u>\$ 14,545</u>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the year ended December 31, 2006  
(amounts expressed in thousands)

	Business - Type Activities		Total
	Enterprise Funds		
	Community College August 31, 2006	Nonmajor Fund	
Operating Revenues:			
Student tuition and fees	\$ 23,666	\$	\$ 23,666
Intergovernmental revenues and charges	18,194		18,194
State and local contracts	12,277		12,277
Interfund revenues		10,080	10,080
Other operating revenue	1,930	41,280	43,210
Total operating revenue	<u>56,067</u>	<u>51,360</u>	<u>107,427</u>
Operating Expenses:			
Employee wages	54,670	46	54,716
Employee benefits	17,198	15	17,213
Scholarships	9,970		9,970
Supplies	12,225		12,225
Utilities and telephone	3,114	50,910	54,024
Depreciation	2,513		2,513
Total operating expenses	<u>99,690</u>	<u>50,971</u>	<u>150,661</u>
Operating (loss) income	(43,623)	389	(43,234)
Nonoperating revenues (expenses):			
Unrestricted state and local appropriations	27,894		27,894
Income from investments	955		955
Loss on disposal of plant assets	(33)		(33)
(Loss) income before transfers	<u>(14,807)</u>	<u>389</u>	<u>(14,418)</u>
Transfers in	15,429		15,429
Change in net assets	622	389	1,011
Total net assets-beginning	12,319	1,215	13,534
Total net assets-ending	<u>\$ 12,941</u>	<u>\$ 1,604</u>	<u>\$ 14,545</u>

See accompanying notes to the financial statements.



COUNTY OF ERIE, NEW YORK  
Statement of Cash Flows  
Proprietary Funds  
For the year ended December 31, 2006  
(amounts expressed in thousands)

	Business - Type Activities		
	Enterprise Funds		
	Community College August 31, 2006	Nonmajor Fund	Total Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from patients, students and utility customers	\$ 22,882	\$ 45,116	\$ 67,998
Payments to employees for services	(70,826)	(60)	(70,886)
Payments to suppliers for goods and services	(16,100)	(54,292)	(70,392)
Payments for scholarships	(9,970)		(9,970)
Federal, state and local grants	31,582		31,582
Internal activity - payments from other funds		10,231	10,231
Other operating revenues	3,839		3,839
Net cash (used in) provided by operating activities	<u>(38,593)</u>	<u>995</u>	<u>(37,598)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
County contribution	15,429		15,429
State appropriations	27,122		27,122
Other contributions	816		816
Advances to other funds		(995)	(995)
Net cash provided by (used in) non-capital financing activities	<u>43,367</u>	<u>(995)</u>	<u>42,372</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of capital assets	<u>(2,424)</u>		<u>(2,424)</u>
Net cash used in capital financing activities	<u>(2,424)</u>	<u>0</u>	<u>(2,424)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	955		955
Net cash provided by investing activities	<u>955</u>	<u>0</u>	<u>955</u>
NET INCREASE IN CASH	3,305	0	3,305
Cash, beginning of year	<u>23,057</u>		<u>23,057</u>
Cash, end of year	<u>\$ 26,362</u>	<u>\$ 0</u>	<u>\$ 26,362</u>

(Continued)

COUNTY OF ERIE, NEW YORK  
Statement of Cash Flows  
Proprietary Funds  
For the year ended December 31, 2006  
(amounts expressed in thousands)

	Business - Type Activities		
	Enterprise Funds		
	Community College August 31, 2006	Nonmajor Fund	Total Funds
Reconciliation of operating (loss) income to net cash used by operating activities			
Operating (loss) income	\$ (43,623)	\$ 389	\$ (43,234)
Adjustments to reconcile operating (loss) income to net cash used by operating activities:			
Depreciation expense	2,513		2,513
Increase in assets:			
Receivables, net	920	1,325	2,245
Due from other funds		(734)	(734)
Due from component unit		(267)	(267)
Due from other governments		3,564	3,564
Prepaid items		(14)	(14)
Increase in liabilities:			
Accounts and other payables	(762)	(2,449)	(3,211)
Accrued expenses	1,042	(819)	223
Other long-term liabilities	1,317		1,317
Net cash used by operating activities	<u>\$ (38,593)</u>	<u>\$ 995</u>	<u>\$ (37,598)</u>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
December 31, 2006  
(amounts expressed in thousands)

	Agency Fund
Assets	
Cash and cash equivalents	\$ 39,832
Receivables:	
Due from other governments	2
Other receivables	23
Bonds and securities held in custody	155
Total assets	<u>\$ 40,012</u>
Liabilities	
Due to other governments	5,885
Held in custody for others	34,127
Total liabilities	<u>\$ 40,012</u>

See accompanying notes to the financial statements.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 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 government units. The more significant of the County's accounting policies are described below.

**A. Financial 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 are primarily comprised of service fees and various types of program-related charges). Additionally, the County operates a community 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. DISCRETELY PRESENTED COMPONENT UNITS**

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

*The Buffalo and Erie County Public Library* (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 County debt. 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.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Financial Reporting Entity (Continued)**

*Erie County Medical Center Corporation* (“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 (the “Transfer Date”), a transaction was executed which transferred ownership of the fixed assets, equipment, inventories and certain other assets to ECMCC in exchange for a payment of \$85 million from ECMCC to the County. Concurrent with the transaction, \$106 million of ECMCC bonds were issued, which are guaranteed by the County. The following component units are included within ECMCC:

*Research for Health in Erie County, Inc.* - Research for Health in Erie County, Inc. (“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 various grants from federal, state, and other agencies. The financial statements of RHEC have been prepared on an accrual basis. The annual financial report can be obtained by writing Grant Administration, Research for Health in Erie County, Inc., 462 Grider Street, Buffalo, NY 14215.

*ECMC Lifeline Foundation, Inc.* - ECMC Lifeline Foundation, Inc. (the “Foundation”) 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 hospital programs generated both by the foundation and the Erie County Medical Center. The annual financial report can be obtained by writing Director, ECMC Lifeline Foundation, Inc., 462 Grider Street, Buffalo, NY 14215.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Financial Reporting Entity (Continued)**

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 St, Buffalo, New York 14215.

*Other Component Units*—Other Component Units include the Auxiliary Services Corporation of Erie Community College, Inc. (the “ECC Auxiliary Corporation”), and the Erie Community College Foundation, Inc. (the “ECC Foundation”). Both of these entities are included as component units of the County in the financial statements, based on the fact that they are legally separate entities for which the College and County are financially accountable.

The purpose of the ECC Auxiliary Corporation, a New York non-profit 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 Erie Community College (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, 6205 Main Street, Williamsville, NY 14221.

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, 4196 Abbott Road, Orchard Park, NY 14127.

**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 Governmental Accounting Standards Board (“GASB”) Statement No. 39, “Determining Whether Certain Organizations are Component Units”, because exclusion would be misleading. It acts as a temporary financial intermediary to the County and is authorized to act as an oversight authority to the County under certain circumstances. 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 Assembly and the State Comptroller. The Governor also designates the chairperson and vice-chairperson from among the directors.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Financial Reporting Entity (Continued)**

The ECFSA has power under the Act to monitor and oversee the finances of Erie 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 (for the remainder of the 2006 fiscal year, and that remains in effect until rescinded) 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 compliment of control and oversight powers over County finances. During the 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.

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, New York, 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. Although legally separate and independent of Erie County, ETASC is considered an affiliated organization under GASB Statement No. 39 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, New York, 14202.

Erie Tax Certificate Corporation (“ETCC”) 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. Although legally separate and independent of Erie County, ETCC is considered an affiliated organization under GASB 39 and reported as a component unit of the County for County financial reporting purposes because it provides services entirely to the County and, accordingly, is included in the County’s financial statements. Separate financial statements for ETCC can be obtained from the Erie Tax Certificate Corporation, President, 95 Franklin Street, Room 100, Buffalo, New York 14202.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Financial Reporting Entity (Concluded)**

3. RELATED ORGANIZATIONS

County elected officials nominate and confirm the three-member board of the Erie County Water Authority, and also appoint a voting majority of the board of the Buffalo Convention Center Management Corporation. 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 Buffalo Convention Center Management Corporation ("Corporation"), the entity and the County are parties to an exchange transaction under which the Corporation 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 VENTURE

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 GAAP. Additional information about this joint venture is presented in Note XVII.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effects of interfund activity have been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, 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.



**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Concluded)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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 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 – 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.

Modified Accrual Basis – 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. 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 claims and judgments, 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.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, and fiduciary fund financial statements. 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 and are measurable.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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.

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 Erie County Fiscal Stability Authority, included as a blended component unit. This fund accounts for sales tax revenues received by ECFSA and for general operating expenditures of ECFSA.

The County reports the following major proprietary fund:

Community College – resources received and used for community 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.

The College does not account for 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 annual budget, with the County providing funding for one-half and approximately one-fifth of capital and operating costs, respectively.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Concluded)**

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

Additionally, the County reports the following 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. Agency funds, such as payroll withholdings, are reported as liabilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues are those that cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Deposits 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.

**E. Prepaid Items**

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.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. 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 elements 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 estimated fair 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 unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	5 – 25 years
Buildings and Improvements	15 – 40 years
Infrastructure	20 – 100 years
Library Collections	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.

**G. 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.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Property Tax Revenue Recognition (Concluded)**

Delinquent property taxes not collected at year-end (excluding collections in the 60-day subsequent period) are recorded as deferred revenue in the fund financial statements. The portion of delinquent property taxes for prior years estimated to be uncollectible at December 31, 2006, amounted to \$10,932,046. This amount has been recorded as an allowance against the property taxes receivable account.

**H. 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, and the specific plan in which the retiree is enrolled, retirees may be eligible to have group health and dental insurance premiums fully paid minimally for a defined period based on their available sick leave credits, or to receive a direct cash payment for a portion of such unused sick time.

Compensated absences for governmental fund type employees are reported as a liability and expenditure in the government-wide financial statements. Governmental funds recognize the expense 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.

The compensated absences liability for the primary government at year-end totaled \$26,289,406, with \$22,681,554 reported within governmental activities and \$3,607,852 reported within business-type activities.

The Library component unit compensated absences liability of \$1,291,022 is recorded in full in the government-wide financial statements. The ECMCC component unit compensated absences liability of \$7,900,000 is recorded in full in the statement of net assets as an accrued liability.

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.

**I. 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 claims and judgments 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 GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* ("GASB 10"). 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.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Insurance (Concluded)**

Loss contingency liabilities arising from operations of the College are recorded in accordance with GASB 10 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.

**J. Pensions**

Nearly all County employees are members of various New York State retirement systems. The County is invoiced annually by the systems for its share of the costs.

**K. 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.

**L. Restrictions, Reserves and Designations**

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. 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 Assets* – This category presents 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. The amount reported as restricted for other purposes for Governmental Activities, includes \$118,721 that is restricted by New York State Law to payments related to enforcement of Handicapped Parking Laws and \$328,195 that is restricted by County Law to payments for future E-911 system costs. In addition, on the government-wide statement of net assets, ECMCC has reported \$32,706,246 as net assets restricted for Capital Projects based upon restrictions imposed on certain receivables from the County by contract or legislative action.
- *Unrestricted Net Assets* – This category represents net assets of the County not restricted for any project or other purpose.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Restrictions, Reserves and Designations**

In the fund financial statements, reserves represent that portion of fund balance/retained earnings that has been legally segregated for a specific use or is not appropriate for expenditure by the County at December 31, 2006, and include:

Reserved for Encumbrances – representing commitments related to unperformed (executory) contracts for goods or services.

Reserved for Debt Service – representing resources that must be used for principal payments that will be made in future periods.

Reserved for Loan Receivable – representing the noncurrent portion of a loan to a developer for the construction of a senior citizen apartment complex, a loan to the Buffalo Zoo for the redevelopment of the Main Animal Building and a working capital advance to the ETCC.

Reserved for Prepaid Items – representing amounts prepaid to vendors and the New York State and Local Employees' Retirement System that are applicable to future accounting periods.

Reserved for Repairs – representing resources from a real estate transfer tax that has been legally earmarked for the purpose of repairing County roads and bridges.

Reserved for E-911 System Costs – representing unexpended emergency telephone system surcharge monies that must be used to pay future system costs.

Reserved for Handicapped Parking – representing commitments relating to education, advocacy and increased public awareness of handicapped parking laws.

In the fund financial statements, designations are not legally required segregations, but are segregated for a specific purpose by the County. Accounting prescription set by the Erie County Comptroller provides for a sunset provision of one fiscal year for all fund balance designations. Legislature approval is required to establish and subsequently appropriate fund balance designations. Designations at December 31, 2006 were as follows:

Designated for Subsequent Year's Expenditures – representing available fund balances being appropriated to meet future year's expenditure requirements. In the General Fund and Sewer Special Revenue Funds, \$3,441,135 and \$4,712,925 have been included in the 2007 adopted budget, respectively. Within the Tobacco Proceeds and ECMCC Capital Projects Funds, which are recorded within other governmental funds, designated fund balance represents tobacco proceeds to be expended on future ECMCC capital projects; this balance is \$4,702,000 at December 31, 2006.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Postemployment Benefits**

In addition to pension benefits, the County provides retired employees with group health insurance benefits and, for a limited period, group dental insurance benefits. The obligation of the County to contribute to the cost of providing both benefits has been established pursuant to legislative resolution and various collective bargaining agreements. Employees become eligible for such benefits if they have been continuously employed by the County for the equivalent of at least five years at the time of retirement.

Upon retirement, the County fully pays eligible employees' group health insurance premiums for single and family coverage for a core plan provided by a single provider health insurance company up until age 65. A pre-65 retiree may choose an optional plan which would require them to pay the difference in premium cost between the core plan and the optional plan. A post-65 retiree and their eligible spouse are required to select a designated Medicare Wraparound product that includes prescription drug coverage and basic out of network benefits. The County pays 100% of the monthly premium for the single or double coverage for one of three offered plans. In addition, a post-65 retiree may choose an optional plan that would require them to pay the difference in premium cost between the highest premium of one of the offered plans and the optional plan.

Additionally, upon retirement, the County fully pays eligible employees' dental insurance premiums for a defined period based on their available sick leave credits. Thereafter, the cost of dental benefits becomes the responsibility of the retirees, should they choose to continue coverage.

The County finances the plan on a pay-as-you-go basis. The cost of retiree group health and dental insurance benefits is recognized as an expenditure/expense based on premiums paid during the year. During 2006, \$17,762,493 was paid by the County on behalf of 4,567 eligible retirees.

The County is in the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board ("GASB") Statement No. 45, *Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions*, effective for the year ending December 31, 2007. The results of a study by an actuarial firm showed the Primary Government (excluding the College) to have a total actuarial accrued liability of \$637,105,929, a present value of total future liability of \$981,833,577, an annual OPEB cost of \$64,593,439 with employer contributions of \$10,899,510 for a net OPEB obligation of \$53,693,929 at December 31, 2006, however, no amounts are recorded in the accompanying financial statements as of December 31, 2006.

**O. Proprietary Fund Refunding Transactions**

Current refundings and advance refundings resulting in defeasance of debt are reported by proprietary activities in the following manner: the difference between the old debt's reacquisition price and net carrying value is deferred and amortized as a component of interest expense over the shorter of either the life of the refunding debt or the life of the refunded debt.

**P. Reclassifications**

Certain reclassifications were made to the Erie County Medical Center Corporation financial statements to conform to the County's reporting presentation.



**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**Q. Future Impacts of Accounting Pronouncements**

*Future Impacts of Accounting Pronouncements* — As explained in Note I (N), the County is in the process of evaluating the impact that will result from adopting GASB Statement No. 45, effective for the year ending December 31, 2007. Based on the nature of the County's retiree health insurance benefits, the financial impact on the government-wide financial statements will be significant in 2007, but the effect on the fund financial statements is not known, since funding policies have not yet been developed.

The County has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenue* effective for the fiscal year ending December 31, 2007; GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* effective for the fiscal year ending December 31, 2008; and GASB Statements No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, effective for the fiscal year ending December 31, 2008. Therefore, the County is unable to disclose the impact that adopting GASB Statements 48, 49 and 50 will have on its financial position and results of operations when such statements are adopted.

**II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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. Annual appropriated budgets are adopted and employed for control of the General Fund; the Road, Sewer, Downtown Mall, E-911, and Emergency Response Special Revenue Funds; the Utilities Aggregation Enterprise Fund; and the Debt Service Fund, minimally detailed to the department, account and selected line item level. The Emergency Response Special Revenue Fund was established to account for revenues received from the Federal Emergency Management Agency and expenditures associated with the on-going clean up of major damage from a storm that occurred in October 2006. 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, 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

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**A. Budgetary Information (Continued)**

basis, and represent the budget as modified. Annual appropriated budgets are not employed for the Grants and Community Development Special Funds. A reconciliation to convert GAAP basis data to the budgetary basis is provided below.

4. 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.
5. The County Executive is authorized to make budget transfers up to a cumulative total of \$1,000 between accounts or line items within a department. Those budget transfers greater than \$1,000 need legislative approval.
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 or line items 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, account and selected line item 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.

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 Enterprise and the Fiduciary 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 reservations of fund balances, and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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:

	(000s omitted)
	<u>General Fund</u>
Excess of revenues and other financing sources over expenditures and other financing uses - GAAP basis	\$ 23,825
Less:	
Encumbrances at December 31, 2006	4,956
Plus:	
Encumbrances at January 1, 2006	<u>4,742</u>
Excess of revenues and other financing sources over expenditures and other financing uses - basis of budgeting	\$ <u><u>23,611</u></u>

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Concluded)**

**A. Budgetary Information (Concluded)**

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 designated for 2006 expenditures through the budget process.

Commitments related directly to the Grants and the Community Development Special Revenue Funds in the amount of \$7,974,402 and \$2,254,296, respectively, at December 31, 2006, 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. Deficit Fund Balances**

The Road Special Fund, which is reported in Other Governmental Funds, reported a deficit fund balance of approximately \$2,750,000 at December 31, 2006. Future revenues or transfers are expected to remediate the deficit fund balance.

**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 EFSCA and ETCC do not have formal investment policies.

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 180 days or less.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**III – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

***Primary Government, Agency Fund and Library Component Unit (Continued)***

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 \$100,000,000 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 or time 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, 2006 (August 31, 2006 as to the College), all uninsured bank deposits of the Primary Government, Library, and Agency Fund were either fully collateralized with securities held by the pledging financial institution's agent in the County's name (\$133,829,920) or for certain trust accounts held by New York State (\$11,096,651).

***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, 2006, the fair value of money market accounts was \$133,518,461 which were fully collateralized with securities held by the pledging financial institution's agent in the County's name, except for \$16,049,521 which were not collateralized.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**III – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**Primary Government, Agency Fund and Library Component Unit (Concluded)**

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

(000s omitted)	
	Fair Value
Municipal bonds	\$ 4,100
Institutional liquidity funds	874
Corporate commercial paper	19,122
Total Investments	\$ 24,096

The County's investment in municipal bonds at December 31, 2006 consists of \$4,100,000 of Gulf Coast Waste Disposal Authority of Texas revenue bonds maturing September 1, 2025 that were rated Aaa by Moody's and AAA by Standard and Poor's.

ETASC's investment in corporate commercial paper at December 31, 2006 consists of \$19,122,473 of General Electric Capital Corporation commercial paper maturing May 29, 2007 that were rated AAA by Standard and Poor's. Rating information for the ETASC's investment in Blackrock Liquidity Funds was not available.

**ECMCC Component Unit**

**Cash and Cash Equivalents and Investments** – 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.

**Deposits and petty cash** - The ECMCC deposits cash into a number of bank accounts. As of December 31, 2006 the carrying amount of ECMCC's deposits was \$10,130,869 and petty cash was \$3,482. Of the bank balances of \$10,130,869, FDIC insurance was \$434,665 and \$9,696,204 was fully collateralized with securities held by the pledging financial institution in the ECMCC's name.

**Cash Equivalents** - All highly liquid investments with an original maturity date of three months or less are considered to be cash equivalents. At December 31, 2006, the fair value of equity funds was \$1,217,615, and the fair value of taxable bonds and short term commercial paper was \$30,134,135 which were fully collateralized with securities held by the pledging financial institution's agent in the ECMCC's name.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**III – CASH, CASH EQUIVALENTS AND INVESTMENTS (Concluded)**

**ECMCC Component Unit (Concluded)**

**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 fixed income investments had an S&P credit quality rating of A-1+ as of December 31, 2006.

	(000's omitted)
	<b>Fair Value</b>
Equity Funds	\$ 1,218
Commercial Paper	56,828
Money Market Mutual Funds	9,138
Money Market Bank Accounts	385
Deposits	696
Foundation Component Unit	1,000
RHEC Component Unit	1,277
	<hr/>
Total investments and Restricted cash and cash equivalents	<u>\$ 70,542</u>

	(000's omitted)
Investments	\$ 27,803
Restricted Cash and cash equivalents	42,739
	<hr/>
	<u>\$ 70,542</u>

**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, 2006 are as follows:

	(000's omitted)	
	<b>Cost</b>	<b>Fair Value</b>
Fixed income	\$ 282	\$ 278
International equities	131	136
Domestic stocks	687	696
	<hr/>	<hr/>
	<u>\$ 1,100</u>	<u>\$ 1,110</u>
		<hr/>
Net unrealized gain		<u>\$ 10</u>

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**IV - RESTRICTED CASH AND CASH EQUIVALENTS**

**ECMCC Component Unit**

*Assets Whose Use is Limited*—Assets whose use is limited at December 31, 2006 consists of the following:

	(000's omitted)
Patient and resident's trust cash	\$ 674
Research and study funds	407
Restricted for debt service principal and interest	9,138
Designated for retiree health obligations	5,000
Designated for acquisition of capital assets	26,352
Foundation Component Unit	1,000
RHEC Component Unit	168
	<u>\$ 42,739</u>

**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; prior to April 1; 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

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**V - PROPERTY TAXES (Concluded)**

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, 2006 is computed as follows:

	(000s omitted)
Five-Year Average Full Valuation of Taxable Real Estate (2001-2005)	\$ 33,624,517
Tax Limit @ 1.5%	\$ 504,368
Statutory Additions	53,094
Total Taxing Power	557,462
Total Levy	(194,689)
Tax Margin	\$ 362,773

**VI - REVENUE ACCRUALS**

All major revenues of the County are considered “susceptible to accrual” under the modified accrual basis. These include property tax, sales tax, state and federal aid, and various grant program revenues.

Major revenues accrued by the County in the various governmental fund types at December 31, 2006 include sales and use taxes of approximately \$41.6 million; state and federal assistance for social services in excess of \$58.2 million; and other state and federal aid (including grants) approximating \$119.4 million.



**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**VII - RECEIVABLES**

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

(000s omitted)

Receivables - <u>Governmental Funds</u>	General Fund	ECFSA	Other Governmental Funds	Total
Real Property taxes, interest, penalties and liens	\$ 43,977	\$	\$ 12,068	\$ 56,045
Sales and use Tax		41,563		41,563
Federal & State Assistance for DSS	58,246			58,246
Other Federal & State Aid	72,172		47,190	119,362
Loan	1,550			1,550
Other	9,849		39,207	49,056
Gross receivables	185,794	41,563	98,465	325,822
Less: allowances for uncollectibles	10,932			10,932
Total receivables	<u>\$ 174,862</u>	<u>\$ 41,563</u>	<u>\$ 98,465</u>	<u>\$ 314,890</u>

The only Governmental Fund receivables not expected to be collected within one year are \$1,550,000 in loan receivables, that are discussed in Note I(L).

(000s omitted)

Receivables - <u>Proprietary Funds</u>	Community College	Nonmajor Fund	Total
Accounts receivable	\$ 5,759	\$ 1,486	\$ 7,245
Other	1,937	4,756	6,693
Gross receivables	7,696	6,242	13,938
Less: allowances for uncollectibles	4,719		4,719
Total receivables	<u>\$ 2,977</u>	<u>\$ 6,242</u>	<u>\$ 9,219</u>

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

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**VIII - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

**A. Primary Government**

**1. Governmental Activities**

(000s omitted)

	Balance 1/1/06	Increases	Decreases	Balance 12/31/06
Capital assets, not being depreciated:				
Land	\$ 28,564	\$ 306	\$	\$ 28,870
Construction in progress	61,353	27,958	(58,743)	30,568
Total capital assets, not being depreciated	<u>89,917</u>	<u>28,264</u>	<u>(58,743)</u>	<u>59,438</u>
Capital assets, being depreciated:				
Buildings and improvements	449,325	43,172		492,497
Transportation network	403,703	5,830		409,533
Sewer network	227,149	7,422		234,571
Improvements other than buildings	17,219	1,622	(62)	18,779
Machinery and equipment	88,719	13,719	(4,569)	97,869
Total capital assets, being depreciated	<u>1,186,115</u>	<u>71,765</u>	<u>(4,631)</u>	<u>1,253,249</u>
Less accumulated depreciation for:				
Buildings	(192,661)	(15,096)		(207,757)
Transportation network	(161,005)	(17,510)		(178,515)
Sewer network	(61,703)	(3,773)		(65,476)
Improvements other than buildings	(6,279)	(674)	7	(6,946)
Machinery and equipment	(45,060)	(8,725)	3,956	(49,829)
Total accumulated depreciation	<u>(466,708)</u>	<u>(45,778)</u>	<u>3,963</u>	<u>(508,523)</u>
Total capital assets, being depreciated, net	<u>719,407</u>	<u>25,987</u>	<u>(668)</u>	<u>744,726</u>
Governmental activities capital assets, net	<u>\$ 809,324</u>	<u>\$ 54,251</u>	<u>\$ (59,411)</u>	<u>\$ 804,164</u>

Depreciation expense was charged to functions of the primary government as follows:

(000s omitted)

Governmental activities:	
General government	\$ 13,542
Public safety	5,323
Health	446
Transportation	19,109
Economic assistance and opportunity	136
Culture and recreation	1,431
Education	1,599
Home and community service	4,192
Total governmental activities depreciation expense	<u>\$ 45,778</u>

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**VIII - CAPITAL ASSETS (Continued)**

**A. Primary Government (Concluded)**

**2. Community College**

	(000s omitted)			
	Balance 9/1/05	Increases	Decreases	Balance 8/31/06
Capital assets, not being depreciated:				
Construction in Progress	\$ 138	\$ 369	\$ (138)	\$ 369
Capital assets, being depreciated:				
Building Improvements	568	138		706
Land improvements	64			64
Equipment	23,678	1,779	(1,016)	24,441
Library collections	2,667	276	(282)	2,661
Total capital assets, being depreciated	<u>26,977</u>	<u>2,193</u>	<u>(1,298)</u>	<u>27,872</u>
Less accumulated depreciation for:				
Building improvements	(54)	(32)		(86)
Land improvements	(2)	(3)		(5)
Equipment	(18,924)	(2,226)	997	(20,153)
Library collections	(1,360)	(252)	268	(1,344)
Total accumulated depreciation	<u>(20,340)</u>	<u>(2,513)</u>	<u>1,265</u>	<u>(21,588)</u>
Total capital assets, being depreciated, net	<u>6,637</u>	<u>(320)</u>	<u>(33)</u>	<u>6,284</u>
Community College capital assets, net	<u>\$ 6,775</u>	<u>\$ 49</u>	<u>\$ (171)</u>	<u>\$ 6,653</u>

Depreciation expense for the Community College was \$2,513,000 for the year ended August 31, 2006.

**B. Component Units**

**1. ECMCC**

	(000s omitted)			
	Balance 1/1/06	Increases	Transfers/ Retirements	Balance 12/31/06
Capital assets, not being depreciated:				
Construction in Progress	\$ 1,102	\$ 419	\$ (852)	\$ 669
Capital assets, being depreciated:				
Land improvements	2,810			2,810
Building	206,773	4,204		210,977
Fixed Equipment	3,265	4		3,269
Major moveable equipment	109,556	9,383	(211)	118,728
Total capital assets - being depreciated	<u>322,404</u>	<u>13,591</u>	<u>(211)</u>	<u>335,784</u>
Less accumulated depreciation	<u>(251,442)</u>	<u>(10,480)</u>		<u>(261,922)</u>
Total capital assets, being depreciated, net	<u>70,962</u>	<u>3,111</u>	<u>(211)</u>	<u>73,862</u>
ECMCC capital assets, net	72,064	3,530	(1,063)	74,531
Add: Foundation capital assets, net	1		(1)	
Total ECMCC component unit capital assets	<u>\$ 72,065</u>	<u>\$ 3,530</u>	<u>\$ (1,064)</u>	<u>\$ 74,531</u>

Depreciation expense for ECMCC and the Foundation was \$10,480,000 for the year ended December 31, 2006.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**VIII - CAPITAL ASSETS (Concluded)**

**B. Component Units (Concluded)**

2. Library

	(000s omitted)			
	Balance 1/1/06	Increases	Decreases	Balance 12/31/06
Capital assets, not being depreciated:				
Rare book collection	\$ 9,962	\$ 623	\$ _____	\$ 10,585
Capital assets, being depreciated:				
Machinery, Equipment and Library materials	64,562	2,729	(5,028)	62,263
Less accumulated depreciation for:				
Machinery, Equipment and Library materials	<u>(55,905)</u>	<u>(4,073)</u>	<u>4,668</u>	<u>(55,310)</u>
Total capital assets, being depreciated, net	<u>8,657</u>	<u>(1,344)</u>	<u>(360)</u>	<u>6,953</u>
Library Component Unit capital assets, net	<u>\$ 18,619</u>	<u>\$ (721)</u>	<u>\$ (360)</u>	<u>\$ 17,538</u>

Depreciation expense for the Library was \$4,073,000 for the year ended December 31, 2006.

**IX – PAYABLES**

Payables at year-end of the County's major individual funds and non-major funds in the aggregate are as follows:

	(000s omitted)			
	General	ECFSA	Other	
<u>Governmental Funds</u>	<u>Fund</u>	<u>General</u>	<u>Governmental</u>	<u>Total</u>
			Funds	
Accounts payable	\$ 12,088	\$ 74	\$ 38,743	\$ 50,905
Other governments	16,223		916	17,139
Health and social service programs and agencies	32,684		342	33,026
Retained percentages	9		2,607	2,616
Salaries & fringes	5,166	7	743	5,916
Other	<u>2,944</u>		<u>2,474</u>	<u>5,418</u>
Total payables	<u>\$ 69,114</u>	<u>\$ 81</u>	<u>\$ 45,825</u>	<u>\$ 115,020</u>

	Community	Nonmajor	
<u>Proprietary Funds</u>	<u>College</u>	<u>Fund</u>	<u>Total</u>
Accounts payable	\$ 866	\$ 3,275	\$ 4,141
Salaries & fringes	5,856		5,856
Other	<u>5,434</u>	<u>1,829</u>	<u>7,263</u>
Total payables	<u>\$ 12,156</u>	<u>\$ 5,104</u>	<u>\$ 17,260</u>

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**X – RETIREMENT PLANS**

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. 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. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of their funds. The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

Contributions equal to 3% of salary are required of employees, except for those who joined the ERS before July 27, 1976 and for those who have ten or more years of credited service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

Contributions are required at an actuarially determined rate. The required ERS contributions for the current year and two preceding years were:

<u>Year</u>	<u>Contribution Amount</u>		
	<u>County - ERS</u>	<u>Library Component Unit - ERS</u>	<u>ECMCC Component Unit - ERS</u>
2006	\$ 13,525,883	\$ 659,381	\$ 11,100,000
2005	38,788,149	2,146,835	12,500,000
2004	35,768,139	1,860,405	14,900,000

The employer contributions made to the ERS were equal to the contributions required for each year, except for the payouts deferred with the ERS to future years. The annual payment is due on February 1 of the subsequent year. However, the payment for 2006, due February 1, 2007, was paid December 15, 2006 which provided an optional prepayment discount of approximately \$200,000.

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**X – RETIREMENT PLANS (Continued)**

**B. Teachers' Insurance and Annuity Association - College Retirement Equities Fund**

TIAA-CREF is a defined contribution annuity plan that is an optional retirement program authorized by the trustees of the State University of New York. Participants in TIAA-CREF retiring after age 55, with 13 months of service, receive monthly benefits based on their investment. The College pays all contributions for employees hired prior to July 1, 1976, at 12% of salaries up to \$16,500, and 15% of salaries in excess of \$16,500.

Employees hired after July 1, 1976, contribute 3% of their salaries, and the College contributes 9% of salaries up to \$16,500 and 12% of salaries in excess of \$16,500. Employees hired after July 1, 1994, contribute 3% of their salaries, and the College contributes 8% of total salaries. Contributions made by the College and its employees in the 2006 fiscal year were \$1,947,237 and \$489,078, respectively. The total unpaid balance of this retirement liability at the end of the College's fiscal year was \$11,424.

**COUNTY OF ERIE, NEW YORK**  
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**X – RETIREMENT PLANS (Continued)**

**C. New York State Teachers' Retirement System**

The TRS is a cost-sharing multiple-employer defined benefit retirement system. The TRS 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 NYSRSSL and New York State Education Law. The TRS issues publicly available financial reports that include financial statements and required supplementary information. The TRS report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Contributions equal to 3% of salary are required of employees, except for those who joined the TRS before July 27, 1976, and for those who have ten or more years of credited service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The College is required to contribute at an actuarially determined rate. The required pension contributions for the College current fiscal year and two preceding fiscal years were:

Year	County TRS
2006	\$ 862,008
2005	494,634
2004	353,139

Employer contributions made to the TRS were equal to 100% of the contributions required for each year.

Retirement incentive programs were offered to College employees who are members of the TRS in accordance with the following laws enacted by the State Legislature: Chapter 178 of the Laws of 1991; Chapters 494 and 643 of the Laws of 1992; Chapter 12 of the Laws of 1995; Chapter 30 of the Laws of 1996; Chapter 41 of the Laws of 1997, Chapter 47 of the Laws of 1998, and Chapter 70 of the Laws of 1999. The estimated total cost to the College for those programs that have not been paid in full, as of August 31, 2006, is an estimated \$859,113 of which \$138,982 was charged to expenses in the current fiscal year and \$277,965 remained unpaid at August 31, 2006. Recognition of program costs as liabilities occurs in the College fiscal year that the programs are made available to employees, except that the portion of program costs representing interest for plans offered to ERS members are accrued annually. Depending on the option chosen, program costs are either billed and paid over five years, including interest at 8.75% beginning on December 15 of the year after the incentive is offered to employees, or are paid in a lump sum.

The total unpaid balance of the TRS retirement liabilities at the end of the College's fiscal year was \$1,322,581.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**X – RETIREMENT PLANS (Concluded)**

**D. Summary of Retirement Plan Liabilities:**

Retirement Plan/ Description	Governmental Activities	Business-type Activities	(000s omitted)			Reporting Entity Total
			Primary Government Total	Library Component Unit	ECMCC Component Unit	
<u>ERS</u>						
Regular	\$ 12,691	\$ 835	\$ 13,526	\$ 659	\$ 11,100	\$ 25,285
Total	<u>12,691</u>	<u>835</u>	<u>13,526</u>	<u>659</u>	<u>11,100</u>	<u>25,285</u>
<u>TRS</u>						
Regular		1,045	1,045			1,045
Early Retirement		278	278			278
Total	<u>0</u>	<u>1,323</u>	<u>1,323</u>	<u>0</u>	<u>0</u>	<u>1,323</u>
<u>TIAA-CREF</u>						
Regular		11	11			11
Total	<u>\$ 12,691</u>	<u>\$ 2,169</u>	<u>\$ 14,860</u>	<u>\$ 659</u>	<u>\$ 11,100</u>	<u>\$ 26,619</u>

The County and its component units, with the exception of ECMCC, has recorded the retirement liabilities as long-term liabilities on the statement of net assets. ECMCC retirement liabilities are reflected in the statement of net assets as an accrued liability.

**XI – CONSTRUCTION COMMITMENTS**

The County has a number of active construction projects at December 31, 2006. The amounts spent to date and remaining commitments (encumbrances) presented by major project groupings are as follows:

<u>Projects</u>	(000s omitted)	
	<u>Spent-to-date</u>	<u>Remaining Commitments</u>
General Government Buildings, Equipment and Improvements	\$ 502,118	\$ 5,267
Highways, Roads, Bridges and Equipment	113,741	5,523
Sewers, Facilities Equipment and Improvements	175,732	4,930
Special Capital Projects	24,759	164
ECMC Capital Projects	<u>47,843</u>	<u>3,673 *</u>
Total	<u>\$ 864,193</u>	<u>\$ 19,557</u>

\* The County has additional future capital commitments related to the ECMCC Sale Agreement, as amended, totaling approximately \$18,354,496 at December 31, 2006. Of this amount, \$6,354,496 is reflected in the government-wide financial statements only.



**COUNTY OF ERIE, NEW YORK**  
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**XII - LONG-TERM LIABILITIES**

**A. Bonded Indebtedness**

Bonded indebtedness is reported in the government-wide financial statements. The following is a summary of bond transactions of the County for the year ended December 31, 2006:

(000s omitted)

Purpose*	Issue	Maturity	Interest Rate	Balance 1/1/06	Additions	Reductions	Balance 12/31/06	Due Within One Year
Capital	1983	2008	9.60-10.00%	\$ 450	\$	150	\$ 300	\$ 150
Capital	1991	2006	6.10-6.40	366		366		
Refunding	1992	2006	2.50-8.00	776		776		
Capital	1992	2012	4.25-7.65	6,732		1,631	5,101	1,426
Capital	1993	2013	3.30-5.25	726		50	676	90
Capital	1993	2013	Zero Coupon	4,013		1,000	3,013	942
Capital	1994	2007	4.90-6.50	1,110		555	555	555
Capital	1995	2007	4.40-5.60	1,030		515	515	515
Capital	1995	2006	4.10-5.63	585		585		
Capital	1996	2007	4.30-6.00	1,722		992	730	730
Capital	1996	2015	0.00	722		66	656	67
Capital	1997	2017	3.75-5.35	440		35	405	35
Capital	1997	2012	4.50-5.50	6,938		994	5,944	994
Refunding	1997	2009	4.50-5.25	1,269		398	871	380
Refunding	1997	2007	4.50-4.80	150		78	72	73
Capital	1998	2017	3.70-5.15	425		30	395	30
Capital	1998	2013	4.25-5.00	6,739		883	5,856	883
Capital	1999	2018	3.48-5.42	170		10	160	10
Capital	1999	2018	0.00	79		6	73	6
Capital	1999	2009	4.375-5.75	5,695		1,424	4,271	1,424
Capital	1999	2019	5.125-6.00	2,040		100	1,940	110
Capital	2000	2018	3.80-5.92	165		10	155	10
Capital	2000	2012	5.25-6.00	8,976		1,314	7,662	1,313
Capital	2000	2020	5.25-5.70	530		35	495	35
Capital	2001	2031	2.619-5.314	1,870		50	1,820	50
Capital	2001	2031	0.00	4,345		139	4,206	141
Capital	2001	2020	2.30-5.00	25,765		2,305	23,460	1,820
Capital	2001	2021	2.30-5.00	770		50	720	50
Capital	2002	2031	1.362-5.082	1,265		45	1,220	45
Capital	2002	2024	2.521-6.181	4,500		180	4,320	185
Capital	2002	2031	1.333-5.323	935		25	910	25
Capital	2002	2017	3.00-5.00	53,025		3,390	49,635	3,560
Capital	2002	2022	3.00-5.00	1,110		45	1,065	45
Capital	2003	2032	1.031-4.901	1,235		35	1,200	35
Capital	2003	2029	2.549-6.259	14,670		535	14,135	535
Capital	2003	2032	0.00-0.00	445		16	429	16
Capital	2003	2020	4.00-5.25	75,066		3,520	71,546	3,674
Capital	2003	2023	2.00-4.75	2,310		95	2,215	100
Capital	2003	2032	0.790-4.612	1,164		29	1,135	35
Pension	2003	2008	3.00-4.00	12,350		4,725	7,625	4,725
Subtotals carried forward				252,673		27,187	225,486	24,819

\*Capital = Capital acquisition and construction

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**XII - LONG-TERM LIABILITIES (Continued)**

**A. Bonded Indebtedness (Continued)**

Purpose*	Issue	Maturity	Interest Rate	(000s omitted)			Balance 12/31/06	Due Within One Year
				Balance 1/1/06	Additions	Reductions		
Subtotals brought forward				252,673		27,187	225,486	24,819
Capital	2004	2015	2.50-5.250	18,415		1,545	16,870	1,600
Capital	2004	2033	1.02-4.63	1,047		25	1,022	22
Capital	2004	2024	3.25-5.25	79,695		5,445	74,250	5,700
Capital	2005	2034	1.56-4.57	3,316		85	3,231	85
Capital	2005	2033	2.06-4.13	2,510		70	2,440	70
Capital	2005	2020	4.45-5.00	62,570			62,570	3,195
Capital	2005	2035	3.50-5.00	12,215		250	11,965	215
Capital	2005	2012	5.50	22,650			22,650	3,290
Refunding	2005	2029	3.50-4.50	53,970		115	53,855	700
Tobacco Refunding	2005	varies***	varies***	318,835		1,725	317,110	
Tobacco Settlement	2006	varies***	varies***		17,695		17,695	
Capital	2006	2035	0.00		2,081	70	2,011	70
Capital	2006	2017	3.50-4.00		13,205		13,205	
Capital	2006	2036	3.50-4.25		4,375		4,375	95
ECMCC Settlement	2006	2011	4.93-4.99		32,850		32,850	
				<u>827,896</u>	<u>70,206</u>	<u>36,517</u>	<u>861,585</u>	<u>\$ 39,861</u>
Remaining unamortized:								
discount on zero coupon bonds				(530) **		(167)	(363) **	
discount on ETASC bonds				(11,224)	(461)	(56)	(11,629)	
premium on bond issuance				24,349	175	1,889	22,635	
deferred amount on refunding				(2,338)		(178)	(2,160)	
deferred amount on refunding-ETASC				(25,668)		(763)	(24,905)	
Bonds payable for financial statement purposes				<u>\$ 812,485</u>	<u>\$ 69,920</u>	<u>\$ 37,242</u>	<u>\$ 845,163</u>	

\*Capital = Capital acquisition and construction

\*\* Amount of unamortized discount on zero coupon bonds at issue date was \$3.348 million. Of this amount, \$2.818 million and \$0.167 million have been amortized in the prior and current years, respectively.

\*\*\*Refer to discussion within Note XII(B) regarding outstanding ETASC bonds payable.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**XII - LONG-TERM LIABILITIES (Continued)**

**A. Bonded Indebtedness (Concluded)**

The following is a summary of bonded indebtedness:

	(000s omitted)			
	Balance 1/1/06	Additions	Reductions	Balance 12/31/06
Governmental Activities	\$ 827,273	\$ 70,206	\$ 36,309	\$ 861,170
Remaining unamortized:				
discount on zero coupon bonds	(530)		(167)	(363)
discount on ETASC bonds	(11,224)	(461)	(56)	(11,629)
premium on bond issuance	24,345	175	1,888	22,632
deferred amount on refunding	(2,338)		(178)	(2,160)
deferred amount on refunding-ETASC	(25,668)		(763)	(24,905)
Bonds payable for financial statement purposes	<u>\$ 811,858</u>	<u>\$ 69,920</u>	<u>\$ 37,033</u>	<u>\$ 844,745</u>

	(000s omitted)			
	Balance 1/1/06	Additions	Payments	Balance 12/31/2006
Library Component Unit	\$ 623	\$	\$ 208	\$ 415
Remaining unamortized				
premium on bond issuance	4		1	3
Bonds payable for financial statement purposes	<u>\$ 627</u>	<u>\$ 0</u>	<u>\$ 209</u>	<u>\$ 418</u>

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

In 2000, the 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 ("TSR") 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 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

**COUNTY OF ERIE, NEW YORK**  
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**DECEMBER 31, 2006**

**XII - LONG-TERM LIABILITIES (Continued)**

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$25,953,936. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2039.

The refunding increases the total debt service over the next 50 years by \$121,875,200 resulting in an economic loss of approximately \$31,392,350 at net present value.

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.

On January 5, 2006, ETASC issued \$17,694,720 of tobacco settlement asset-backed bonds, Series 2006A with an interest rate of 7.6%. 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 was 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 manufacturer's 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. ETASC has no financial assets other than the collections and reserves and amounts held in the other funds and accounts established under the Indenture.

The 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 dates, beginning June 1, 2006.

Interest on the Series 2005A and E Bonds are payable each June 1 and December 1. Interest on the Series B, C, and D bonds as well as the Series 2006 Bonds accrue throughout the life of the bonds but are payable at redemption and are zero coupon bonds and are subject to redemption at the option of ETASC beginning in years after 2016.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XII - LONG-TERM LIABILITIES (Continued)**

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

Details of long-term debt are as follows:

<u>Issue</u> <u>Amount</u>	<u>Rate</u>	<u>Description</u>	<u>Projected Final Turbo</u> <u>Redemption Date</u>
		\$318,834,680 Term Bond	
\$ 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, 2018
\$ 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, 2022
\$ 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, 2027
\$ 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, 2027
\$ 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, 2029
\$ 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, 2032
\$ 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, 2016

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XII - LONG-TERM LIABILITIES (Continued)**

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

			\$17,694,720	
			Term Bond	
<u>Issue</u>	<u>Amount</u>	<u>Rate</u>	<u>Description</u>	<u>Projected Final Turbo</u> <u>Redemption Date</u>
\$	17,694,720	7.600%	Series 2006A 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 accrued values as follows: June 1, 2016 through May 31, 2017, 102%; June 1, 2017 through May 31, 2018, 101%, thereafter 100%	June 1, 2037

Changes in bonds payable for the year ended December 31, 2006 is as follows:

Bonds payable at January 1, 2006	\$	318,835
Principal payments during 2006		(1,725)
Bonds issued		17,695
Bonds payable at December 31, 2006	<u>\$</u>	<u>334,805</u>

The amount reflected in the statement of net assets for ETASC's bonds payable is net of unamortized discount on the sale of bonds of \$11,628,527 and loss on defeasance of \$24,904,536.

The ETASC's debt service requirements based upon the due dates excluding turbo redemption payments is as follows:

<b>Twelve months ended December 31</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b> <b><u>Debt Service</u></b>
2007	\$	\$ 14,889	\$ 14,889
2008		14,889	14,889
2009		14,889	14,889
2010		14,889	14,889
2011		14,889	14,889
2012-2016		74,448	74,448
2017-2021		74,448	74,448
2022-2026		74,448	74,448
2027-2031	98,075	58,997	157,072
2032-2036		46,541	46,541
2037-2041	74,685	33,160	107,845
2042-2046	111,480	19,045	130,525
2047-2051	21,728	57,195	78,923
2052-2056	11,142	37,446	48,588
2057-2061	17,695	73,165	90,860
	<u>\$ 334,805</u>	<u>\$ 623,338</u>	<u>\$ 958,143</u>

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XII – LONG-TERM LIABILITIES (Continued)**

**C. Erie County Medical Center Corporation (a Discretely Presented Component Unit)**

*Long-term Debt*—The following is a summary of long-term bonded debt at December 31, 2006:

Erie County—Guaranteed Senior Revenue Bonds, Series 2004 (interest of 4.1% to 5.7%)	<u>\$ 101,375,000</u>
--	-----------------------

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 of, 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 commence 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

As further explained in Note X, retirement liabilities at December 31, 2006 for amounts due in 2007 and future years are reported in the government-wide financial statements as follows:

	(000s omitted)		
	<u>Primary Government</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Retirement Liability Outstanding at year-end	\$ 14,860	\$ 11,759	\$ 26,619
Less: Due within one year	<u>1,911</u>	<u>11,100</u>	<u>13,011</u>
Due in more than one year	<u>\$ 12,949</u>	<u>\$ 659</u>	<u>\$ 13,608</u>

2. Compensated Absences

The value recorded in the government-wide financial statements at December 31, 2006, for governmental activities is \$22,681,554 classified as a long-term liability in the accompanying financial statements. The following governmental funds have been used in prior years to liquidate this liability: General Fund, Capital Projects Funds and the Road, Sewer, Grants and Community Development Special Revenue Funds.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XII – LONG-TERM LIABILITIES (Continued)**

**D. Other Long-Term Liabilities - (Continued)**

Compensated absences of \$3,607,852 have been reported for business-type activities, classified as fringe benefits payable, on the fund financial statements.

Compensated absences of the ECMCC component unit totaling \$7,900,000 have been reported as an accrued liability. Compensated absences of the Library component unit totaling \$1,291,022 have been reported as a long-term liability.



**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XII - LONG-TERM LIABILITIES (Continued)**

**D. Other Long-Term Liabilities (Concluded)**

3. Judgments and Claims

As further explained in Note XV, the County is self-insured. Liabilities are established for workers' compensation, general and malpractice claims in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. Estimated long-term contingent loss liabilities of governmental fund types total \$47,201,141 and have been reported as long-term liabilities in the government-wide financial statements.

Also, as further explained in Note XV, ECMCC is self-insured and has recorded approximately \$6,250,000 and \$5,992,000 for the long-term portions of medical malpractice and worker's compensation related exposures, respectively.

**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, 2006:

1. Governmental Activities

(000s omitted)

	<u>Balance</u> <u>1/1/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/06</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable for financial statement purposes	\$ 811,858	\$ 69,920 *	\$ 37,033	\$ 844,745	\$ 39,654
Due to New York State and Local Employees'					
Retirement System	37,906	17,651	42,866	12,691	
Compensated absences	22,110	21,138	20,566	22,682	12,572
Judgments and claims	<u>44,117</u>	<u>17,142</u>	<u>14,058</u>	<u>47,201</u>	<u>10,720</u>
Governmental activity					
Long-term liabilities	<u>\$ 915,991</u>	<u>\$ 125,851</u>	<u>\$ 114,523</u>	<u>\$ 927,319</u>	<u>\$ 62,946</u>

\* Includes \$0.167 million representing portion of zero coupon bonds discount amortized in current year; remaining unamortized discount is \$0.363 million.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**XII - LONG-TERM LIABILITIES (Continued)**

**E. Summary of Changes in Long-Term Liabilities (Concluded)**

**2. Business-Type Activities**

(000s omitted)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Retirement Liabilities	\$ 2,237	\$ 3,052	\$ 3,041	\$ 2,248 *	\$ 1,936 *
Compensated Absences & Fringes	<u>4,149</u>	<u>2,703</u>	<u>3,244</u>	<u>3,608</u>	<u>207</u>
Business-type activity					
Long-term liabilities	<u>\$ 6,386</u>	<u>\$ 5,755</u>	<u>\$ 6,285</u>	<u>\$ 5,856</u>	<u>\$ 2,143</u>

\* Includes \$0.079 million of Retirement Incentive Wages and Fringe Benefits, of which \$0.025 million is due within one year.

**3. Library Component Unit**

(000s omitted)

	<u>Balance 1/1/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/06</u>	<u>Due Within One Year</u>
Bonds Payable for Financial Statement Purposes	\$ 627	\$	\$ 209	\$ 418	\$ 207
Due to New York State and Local Employees' Retirement System	2,147	1,006	2,494	659	
Compensated Absences	<u>1,244</u>	<u>949</u>	<u>902</u>	<u>1,291</u>	<u>650</u>
Library Component Unit					
Long-term liabilities	<u>\$ 4,018</u>	<u>\$ 1,955</u>	<u>\$ 3,605</u>	<u>\$ 2,368</u>	<u>\$ 857</u>

**4. ECMCC Component Unit**

(000s omitted)

	<u>Balance 1/1/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/06</u>	<u>Due Within One Year</u>
Bonds Payable for Financial Statement Purposes	\$ 101,375	\$	\$	\$ 101,375	\$
Judgments and Claims	<u>3,700</u>	<u>13,159</u>	<u>4,617</u>	<u>12,242</u>	<u></u>
ECMCC Component Unit					
Long-term liabilities	<u>\$ 105,075</u>	<u>\$ 13,159</u>	<u>\$ 4,617</u>	<u>\$ 113,617</u>	<u>\$ 0</u>

Additional judgments and claims liabilities for worker's compensation and medical malpractice have been recorded by ECMCC as accrued liabilities in the amounts of \$4,608,000 and \$250,000, respectively.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XII - LONG-TERM LIABILITIES (Continued)**

**F. Maturity Schedules**

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

(000s omitted)

<u>Year</u>	<u>Total</u>	<u>Serial Bonds</u>	<u>Retirement</u>	<u>Compensated Absences</u>	<u>Judgments &amp; Claims</u>
2007	\$ 65,089	\$ 39,654	\$ 1,936	\$ 12,779	\$ 10,720
2008	48,505	46,677	1,828		
2009	46,430	44,824	1,606		
2010	45,908	44,206	1,702		
2011	47,148	45,344	1,804		
2012-2016	171,936	165,873	6,063		
2017-2021	101,551	101,551			
2022-2026	22,170	22,170			
2027-2031	109,036	109,036			
2032-2036	5,106	5,106			
2037-2041	74,685	74,685			
2042-2046	111,480	111,480			
2047-2051	21,728	21,728			
2052-2056	11,141	11,141			
2057-2060	17,695	17,695			
Various*	49,992			13,511	36,481
	<u>949,600</u>	<u>861,170</u>	<u>\$ 14,939</u>	<u>\$ 26,290</u>	<u>\$ 47,201</u>
	(363)	(363)			Remaining unamortized discount on zero coupon bonds
	(11,629)	(11,629)			Discount on ETASC bonds
	22,632	22,632			Remaining unamortized premium of bond issuance
	(2,160)	(2,160)			Remaining unamortized deferred amount on refunding
	<u>(24,905)</u>	<u>(24,905)</u>			Deferred amount on refunding ETASC
	<u>\$ 933,175</u>	<u>\$ 844,745</u>			Long-term liabilities for financial statement purposes

\* Payment of compensated absences and judgments and claims are dependent upon many factors; therefore, timing of future payments is not readily determinable.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XII - LONG-TERM LIABILITIES (Continued)**

**F. Maturity Schedules (Continued)**

2. Annual Interest Payments Due on Serial Bonds

(000s omitted)

Year	Primary Gov't	Component Unit	
		Library	ECMCC
2007	\$ 39,307	\$ 16	\$ 5,562
2008	37,780	8	5,562
2009	35,612		5,561
2010	33,540		5,476
2011	31,437		5,382
2012-2016	129,686		25,179
2017-2021	93,643		21,302
2022-2026	80,474		16,121
2027-2031	61,310		9,146
2032-2036	47,100		1,212
2037-2041	33,160		
2042-2046	19,044		
2047-2051	57,195		
2052-2056	37,446		
2057-2060	73,165		
Totals	\$ 809,899	\$ 24	\$ 100,503

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

(000s omitted)

Year	Total	Serial		Compensated Absences
		Bonds	Retirement	
2007	\$ 857	\$ 207	\$ 650	
2008	277	208	69	
2009	72		72	
2010	76		76	
2011	80		80	
2012-16	362		362	
Various*	641			641
	2,365	415	\$ 659	\$ 1,291
	3	3		
	\$ 2,368	\$ 418		

Remaining unamortized premium of bond issuance  
Long-term liabilities for financial statement purposes

\*Payment of compensated absences is dependent on many factors; therefore, timing of future payments is not readily determinable.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**XII - LONG-TERM LIABILITIES (Continued)**

**F. Maturity Schedules (Concluded)**

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

(000s omitted)			
<u>Year</u>	<u>Total</u>	<u>Serial Bonds</u>	<u>Judgments &amp; Claims</u>
2009	\$ 2,070	\$ 2,070	\$
2010	2,155	2,155	
2011	2,250	2,250	
2012-2016	12,970	12,970	
2017-2021	16,850	16,850	
2022-2026	22,030	22,030	
2027-2031	29,000	29,000	
2032-2033	14,050	14,050	
Various*	<u>12,242</u>		<u>12,242</u>
	<u>113,617</u>	<u>101,375</u>	<u>\$ 12,242</u>
	<u>\$ 113,617</u>	<u>\$ 101,375</u>	Long-term liabilities for financial statement purposes

\*Payment of judgments and claims 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 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.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**XII - LONG-TERM LIABILITIES (Continued)**

**H. Constitutional Debt Limit**

The County constitutional debt limit at December 31, 2006 is computed as follows:

	(000s omitted)
Five-Year Average Full Valuation of Taxable Real Estate (2002-2006)	\$ <u>34,856,687</u>
Debt Limit @ 7%	\$ 2,439,968
Net Indebtedness (After Statutory Exclusions)	<u>(562,286) *</u>
Net Debt Contracting Margin	\$ <u>1,877,682</u>
Percentage of Debt Contracting Power Exhausted	23.04%

\*Net indebtedness includes general obligation bonds of \$628.156 million (excludes ETASC bonds of \$334.805 million and includes ECMCC bond guaranty of \$101.375 million) less sewer bonds for self-supporting sewer districts of \$65.870 million.

**I. Operating Leases**

Operating lease obligations are primarily for rental of space. Lease expenditures/expenses for the year were approximately \$6,016,000 for the primary government and \$1,700,000 for the ECMCC component unit. The future minimum rental payments required for non-cancelable operating leases are:

	(000s omitted)	
Fiscal Year	Primary Government	ECMCC Component Unit
2007	\$ 4,279	\$ 1,072
2008	3,049	783
2009	2,466	740
2010	2,225	733
2011	1,744	399
2012-2016	<u>355</u>	<u>127</u>
Totals	\$ <u>14,118</u>	\$ <u>3,854</u>

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XIII - 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 Financial Accounting Standards Board (“FASB”) Statement No. 6, *Classification of Short-Term Obligations Expected to be Refinanced*, because legal steps have not been taken to refinance the notes on a long-term basis.

The following is a summary of changes in the County’s short-term debt for the year ended December 31, 2006, excluding blended component units:

(000s omitted)

<u>Description</u>	<u>Balance</u> <u>1/1/06</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>12/31/06</u>
Bond Anticipation Notes	\$ 1,035	\$ 2,151	\$ 828	\$ 2,358
Revenue Anticipation Notes	<u>160,000</u>	<u>110,000</u>	<u>160,000</u>	<u>110,000</u>
Total	<u>\$ 161,035</u>	<u>\$ 112,151</u>	<u>\$ 160,828</u>	<u>\$ 112,358</u>

The Bond Anticipation Notes recorded in the Capital Projects Fund, which have a 0% interest rate, will be used to finance various sewer-related capital projects. The Revenue Anticipation Notes, with an interest rate of 3.89%, were issued and recorded in the General Fund in anticipation of the receipt of monies that will become due during the current fiscal year from sales taxes and the state and federal governments. The proceeds of the notes will be used to pay ordinary and current operating expenses properly payable from the monies in anticipation of which the notes have been issued.

ETCC, a blended component unit of the County, has an outstanding note payable in the amount of \$7,706,764 at December 31, 2006. The note payable was acquired in connection with tax lien sales made by the County to ETCC. Payments against the note payable are made from collections received on such tax liens.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**XIV - INTERFUND TRANSACTIONS**

**A. Interfund Receivables and Payables**

Interfund receivables and payables of the County at December 31, 2006, and the Community College at August 31, 2006, consisted of the following:

		(000s omitted)
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	ECFSA	\$ 41,563
	Nonmajor Proprietary Fund	6,298
	Nonmajor Governmental Funds	18,191
	Community College	7,544
		<u>73,596</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>2,118</u>
Nonmajor Proprietary Fund	Nonmajor Governmental Funds	1,408
	Community College	746
		<u>2,154</u>
Community College	Nonmajor Governmental Funds	<u>1,890</u>
Total Receivables		79,758
Less: Timing Differences		<u>5,039</u>
Total Payables		<u>\$ 74,719</u>

Interfund receivables exceed interfund payables by \$5,038,649. This difference represents interfund receivables in the amounts of \$5,006,933 and \$31,716 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.



**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XIV - INTERFUND TRANSACTIONS (Continued)**

**B. Due To/From Component Unit and Primary Government**

Amounts due from the ECMCC Component Unit to the Primary Government at December 31, 2006, consisted of the following:

		(000s omitted)
<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government-Nonmajor Governmental Fund	ECMCC Component Unit	\$ <u>1</u>
Primary Government-General Fund	ECMCC Component Unit	\$ <u>9,108</u>
Primary Government-Nonmajor Proprietary Fund	ECMCC Component Unit	\$ <u>4,493</u>
ECMCC Component Unit	Primary Government-General Fund	\$ <u>4,406</u>

The General Fund receivable from ECMCC includes \$3,000,000 that ECMCC provided the County on March 23, 2007 as part of a voluntary non-exchange transaction. These monies were deemed not available nor measurable at December 31, 2006 and therefore not recorded as revenue in the funds financial statements.

Additionally, an amount of \$6,354,496 due from the primary government to ECMCC for future capital projects is long-term in nature and reported on the government-wide financial statements only.

Both of these items are shown as reconciling items on the Reconciliation of Statement of Net Assets to Governmental Fund Balances.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XIV - INTERFUND TRANSACTIONS (Concluded)**

**C. Interfund Transfers**

Interfund transfers for the County for the year ended December 31, 2006, and the Community College for the year ended August 31, 2006, consisted of the following:

		(000s omitted)	
<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>	<u>Purpose - provide financial resources:</u>
General Fund	Nonmajor Governmental Funds	\$ 3,086	For the local share of Grant programs
	Nonmajor Governmental Funds	47,661	For general debt service
	Nonmajor Governmental Funds	3,696	For highway improvements
	Community College	13,571	To support College operations
	ETCC	<u>7,193</u>	To support ETCC operations
		<u>75,207</u>	
ECFSA	General Fund	<u>355,384</u>	For general operations from sales tax receipts
Nonmajor Governmental Funds	General Fund	15,638	For deficit financing
	Nonmajor Governmental Funds	4,281	For sewer debt service
	Nonmajor Governmental Funds	1,346	For general debt service
	Nonmajor Governmental Funds	5,436	To support various capital projects
	Nonmajor Governmental Funds	100	To support ETASC operations
	Community College	<u>3,717</u>	For movable equipment
		<u>30,518</u>	
Total Transfers Out		<u>\$ 461,109</u>	
Less: Timing Difference		<u>(1,859)</u>	
Total Transfers In		<u>\$ 459,250</u>	

Transfers Out exceed Transfers In by \$1,858,540. This difference represents payments recorded by the County that were not reflected as Transfers In by the College because of the difference between the County and College fiscal year end.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XV - CONTINGENCIES**

**A. 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, 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.

Loss contingency liabilities arising from operations of the College are recorded in accordance with GASB 10 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.

Claims and judgments are recognized 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.

Claims and judgments 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. Claims and judgments recorded as Governmental Activities long-term liabilities instead of in the General Fund at December 31, 2006, because they did not meet the criteria for recognition as fund liabilities, amounted to \$47,201,141.

In addition, the County has claims in the range of \$2,590,000 to \$23,455,180 for which there is a reasonable possibility of a future loss. No accrual has been recorded for such possible losses as of December 31, 2006.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XV – CONTINGENCIES (Continued)**

**A. Self-Insurance Programs (Concluded)**

The changes since December 31, 2004 in the reported governmental fund liability for risk financing activities were as follows:

	<u>Beginning of Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Year End</u>
2005	\$ 0	\$ 600,000	\$	\$ 600,000
2006	600,000	532,159	600,000	532,159

**Erie County Medical Center Corporation**

Losses from asserted and unasserted claims identified under ECMCC's incident reporting system are accrued based on estimates that incorporate ECMCC's past experience, the nature of each claim or incident, relevant trend factors, and estimated recoveries on unsettled claims. Approximately \$6,500,000 has been accrued at December 31, 2006 discounted at 4% and included as liabilities in the accompanying statement of net assets. 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 million for each of 2006 and 2007. At December 31, 2006 the County recorded \$648,000 as a long-term liability related to this decree. In addition, ECMCC has recorded liabilities of approximately \$10,600,000 for worker's compensation related exposure, discounted at 4%.

**B. 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, 2006, if any, would be reflected in the operating statement in the year that they are calculated.

**C. Supplemental 1% Sales Tax**

Through legislation approved by the County and the State of New York, the County extended an additional 1% sales and compensating use tax. This tax generated approximately \$127.3 million for the year ended December 31, 2006. The enabling legislation allowing this additional tax expires February 29, 2008. An added requirement of this legislation is that the County is required to share \$12.5 million of this tax with other local municipalities in 2007. Legislative approval by both New York State and the County is required for the continuation of this revenue source.

**D. 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 \$31.3 million for the year ended December 31, 2006. The enabling legislation allowing this additional tax expires November 30, 2007. Legislative approval by both New York State and the County is required for the continuation of this revenue source.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XV – CONTINGENCIES (Concluded)**

**E. 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 ½% 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 \$61.5 million for the year ended December 31, 2006. Absent future reauthorization, the increase expires on November 30, 2007.

**F. Federal and State Aid**

The County receives Federal and State aid for a portion of its mandated social services programs, such as Medicaid, Family Assistance and Safety Net, which it categorizes as “Economic Assistance and Opportunity” functional expenditures. The Safety Net program receives State, but not Federal aid. The County appropriates only the local share of Medicaid. It appropriates total expenditures for Family Assistance and Safety Net, and shows State and (in the case of the former) Federal aid as revenue items. Federal and State aid represent approximately 45% of 2007 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 to the extent available or a curtailment of non-mandated expenditures. Social Services and Medicaid expenditures are generally mandated by New York State law.

**G. Other Contingent Liabilities**

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, 2006, ECMCC, a component unit of the County has recorded \$9,121,390 as an accrued liability, for probable third-party payor settlements. The amount of any other expenditures that may be disallowed cannot be determined at this time, although ECMCC expects such amounts to be immaterial.

**COUNTY OF ERIE, NEW YORK**  
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**XVI – FUND BALANCE DESIGNATIONS**

Designations are not required segregations, but are segregated for a specific purpose by the County at December 31, 2006 and were as follows:

	(000s omitted)		
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Primary Government</u>
Designated for:			
Subsequent year's expenditures	\$ <u>3,441</u>	\$ <u>9,415</u>	\$ <u>12,856</u>
Total Fund Balance Designations	\$ <u><u>3,441</u></u>	\$ <u><u>9,415</u></u>	\$ <u><u>12,856</u></u>

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XVII – JOINT VENTURE**

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 (“Corporation”), is governed by a board of directors comprised of one member from each participating county and city. The Corporation’s 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 Corporation 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 Corporation.

The Corporation 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 Corporation’s funds.

Corporation total undistributed net revenue decreased by \$86,937 for the year ended December 31, 2006. The Corporation reported a net revenue available for distribution to participating municipalities of \$2,799,338. In addition, cumulative net revenue retained for capital acquisitions was \$23,481,130 at December 31, 2006. The unexpended balance of funds retained for capital acquisitions cannot exceed the lesser of 1% of total pari-mutuel wagering pools for the previous 12 months or the undepreciated value of the Corporation’s offices, facilities, and premises. Separate financial statements for this joint venture can be obtained from the Corporation’s administrative offices at 700 Ellicott Street, Batavia, New York 14020.

**XVIII – SUBSEQUENT EVENT**

The County issued \$75,000,000 of revenue anticipation notes dated June 27, 2007. These general obligation notes, which have an interest rate of 3.945%, were issued in anticipation of the receipt of monies that will become due during the current fiscal year from sales taxes and the State and Federal governments. The proceeds of the notes will be used to pay ordinary and current operating expenses properly payable from the monies in anticipation of which the notes have been issued. The notes mature on June 27, 2008, with the amounts actually collected for the specific types of revenue that the notes were issued in anticipation of, to be used to repay them.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**XIX – RECENT FINANCIAL DIFFICULTIES**

In past years, the County had experienced severe financial difficulties including substantial recurring operating deficits and diminishing debt ratings when accessing the public credit markets. Specifically during its 2001-2004 fiscal years, the County's General Fund incurred approximately \$200 million in losses and the total fund balance had been reduced to \$4.9 million at December 31, 2004. The County's General Fund ended 2005 with a \$9.5 million surplus and a total fund balance of \$14.4 million, and ended 2006 with a \$23.8 million surplus and a total fund balance of \$38.2 million. 2006 year-end results included \$15.6 million from the sale of tobacco settlement asset-backed bonds by ETASC on behalf of the County in order to pay for expenditures of the County as it related to a consent decree between the County and ECMCC.

As explained in Note I (A)(2), on July 12, 2005, the Governor of the State of New York signed into law legislation creating the ECFSA, a seven person State authority to monitor and advise County leadership on ways to improve the County's fiscal situation. The ECFSA's enabling legislation requires the County to prepare and submit to ECFSA a four-year financial plan, which must be updated at least once per year.

After accepting earlier versions of the four-year financial plan, on November 3, 2006 the ECFSA rejected the County's latest four year plan version and entered a control period. During the 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.

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## **COMBINING AND INDIVIDUAL FUND 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 non-major 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.

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## **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) and Erie Tax Certificate Corporation (ETCC) General Funds are presented as nonmajor Special Revenue Funds.

- **Road Special Revenue 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 Special Revenue Fund**

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

- **Downtown Mall Special Revenue 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 Special Revenue 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 Special Revenue Fund**

Used to account for revenues received from the Federal Emergency Management Agency and expenditures associated with the on-going clean up of major winter storm damage that occurred in October 2006.

- **Grants Special Revenue 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) Special Revenue Fund**

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

- **ETCC (General Fund) Special Revenue Fund**

Used to account for the collection activities of a special purpose local development corporation that has acquired all of the County's rights, title and interest to certain outstanding real property tax liens.

- **Community Development Special Revenue Fund**

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

## **NONMAJOR GOVERNMENTAL FUNDS (Concluded)**

### **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, general 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, general 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.

- **Erie County Medical Center Corporation (ECMCC) Capital Projects Fund**

Utilized to account for capital projects that are for the acquisition or construction of buildings, improvements and equipment for the Erie County Medical Center Corporation.

COUNTY OF ERIE, NEW YORK  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2006  
 (amounts expressed in thousands)

----- Special Revenue -----										
	Road	Sewer	Downtown Mall	E-911	Emergency Response	Grants	ETASC General	ETCC	Community Development	Total
<b>Assets</b>										
Cash and cash equivalents	\$ 37	\$ 18,681	\$ 2	\$ 93	\$ 3,505	\$ 13,821	\$ 240	\$ 2,217	\$	\$ 38,596
Investments										
Receivables (net of allowances)										
Real property taxes, interest, penalties and liens			93					11,975		12,068
Other	2	6	1	469	3	805			23,874	25,160
Due from other funds	527	1,301								1,828
Due from component unit	1									1
Due from other governments	8,391	530			27,395	14,095			1,675	52,086
Prepaid items	201	239					56			496
<b>Total assets</b>	<b>\$ 9,159</b>	<b>\$ 20,757</b>	<b>\$ 96</b>	<b>\$ 562</b>	<b>\$ 30,903</b>	<b>\$ 28,721</b>	<b>\$ 296</b>	<b>\$ 14,192</b>	<b>\$ 25,549</b>	<b>\$ 130,235</b>
<b>Liabilities and Fund Balances</b>										
<b>Liabilities:</b>										
Accounts payable	\$ 537	\$ 407	\$	\$ 233	\$ 25,359	\$ 3,271	\$	\$ 87	\$ 1,045	\$ 30,939
Accrued liabilities	202	436	96		45	680		1,318	17	2,794
Due to other funds	11,170	2,621			200			5,080	407	19,478
Due to other governments					242	667			7	916
Retained percentages payable		8				2				10
Unearned revenue					5,057	24,101			24,073	53,231
Short-term debt								7,707		7,707
<b>Total liabilities</b>	<b>11,909</b>	<b>3,472</b>	<b>96</b>	<b>233</b>	<b>30,903</b>	<b>28,721</b>	<b>0</b>	<b>14,192</b>	<b>25,549</b>	<b>115,075</b>
<b>Fund balances:</b>										
<b>Reserved for:</b>										
Encumbrances	1,303	3,235		1	20					4,559
Debt service										
Prepaid items	201	239					56			496
Repairs	2,657									2,657
E-911 system costs				328						328
<b>Unreserved, reported in:</b>										
<b>Special revenue funds</b>										
Designated		4,713								4,713
Undesignated	(6,911)	9,098			(20)		240			2,407
<b>Capital projects fund</b>										
Designated										
Undesignated										
<b>Total fund balances</b>	<b>(2,750)</b>	<b>17,285</b>	<b>0</b>	<b>329</b>	<b>0</b>	<b>0</b>	<b>296</b>	<b>0</b>	<b>0</b>	<b>15,160</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,159</b>	<b>\$ 20,757</b>	<b>\$ 96</b>	<b>\$ 562</b>	<b>\$ 30,903</b>	<b>\$ 28,721</b>	<b>\$ 296</b>	<b>\$ 14,192</b>	<b>\$ 25,549</b>	<b>\$ 130,235</b>

COUNTY OF ERIE, NEW YORK  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2006  
 (amounts expressed in thousands)

	/----- Debt Service -----/			/----- Capital Projects -----/							Total Nonmajor Governmental Funds
	Debt Service	ETASC Debt Service	Total	General Government Buildings, Equipment and Improvements	Highways, Roads, Bridges and Equipment	Sewers, Facilities Equipment and Improvements	Tobacco Proceeds	Special Capital Projects	ECMCC Capital Projects	Total	
<b>Assets</b>											
Cash and cash equivalents	\$ 15,511		\$ 15,511	\$ 40,256	\$ 8,352	\$ 12,566	\$ 73	\$ 3,721	\$ 17,706	\$ 82,674	\$ 136,781
Investments		19,996	19,996				4,100			4,100	24,096
Receivables (net of allowances)											
Real property taxes, interest, penalties and liens											12,068
Other				17						17	25,177
Due from other funds	140		140	150						150	2,118
Due from component unit											1
Due from other governments	327		327	2,685	5,870			252		8,807	61,220
Prepaid items				10						10	506
<b>Total assets</b>	<b>\$ 15,978</b>	<b>\$ 19,996</b>	<b>\$ 35,974</b>	<b>\$ 43,118</b>	<b>\$ 14,222</b>	<b>\$ 12,566</b>	<b>\$ 4,173</b>	<b>\$ 3,973</b>	<b>\$ 17,706</b>	<b>\$ 95,758</b>	<b>\$ 261,967</b>
<b>Liabilities and Fund Balances</b>											
<b>Liabilities:</b>											
Accounts payable	\$ 49	\$	\$ 49	\$ 5,171	\$ 476	\$ 435	\$	\$ 1	\$ 1,672	\$ 7,755	\$ 38,743
Accrued liabilities	134	34	168	159	40	276		3	119	597	3,559
Due to other funds				474	527	1,223	14	1,859		4,097	23,575
Due to other governments											916
Retained percentages payable				1,711	176	635		5	70	2,597	2,607
Unearned revenue											53,231
Short-term debt						2,358				2,358	10,065
<b>Total liabilities</b>	<b>183</b>	<b>34</b>	<b>217</b>	<b>7,515</b>	<b>1,219</b>	<b>4,927</b>	<b>14</b>	<b>1,868</b>	<b>1,861</b>	<b>17,404</b>	<b>132,696</b>
<b>Fund balances:</b>											
<b>Reserved for:</b>											
Encumbrances				5,267	5,523	4,930		164	3,673	19,557	24,116
Debt service	15,795	19,962	35,757								35,757
Prepaid items				10						10	506
Repairs											2,657
E-911 system costs											328
<b>Unreserved, reported in:</b>											
<b>Special revenue funds</b>											
Designated											4,713
Undesignated											2,407
<b>Capital projects fund</b>											
Designated							2,847		1,855	4,702	4,702
Undesignated				30,326	7,480	2,709	1,312	1,941	10,317	54,085	54,085
<b>Total fund balances</b>	<b>15,795</b>	<b>19,962</b>	<b>35,757</b>	<b>35,603</b>	<b>13,003</b>	<b>7,639</b>	<b>4,159</b>	<b>2,105</b>	<b>15,845</b>	<b>78,354</b>	<b>129,271</b>
<b>Total liabilities and fund balances</b>	<b>\$ 15,978</b>	<b>\$ 19,996</b>	<b>\$ 35,974</b>	<b>\$ 43,118</b>	<b>\$ 14,222</b>	<b>\$ 12,566</b>	<b>\$ 4,173</b>	<b>\$ 3,973</b>	<b>\$ 17,706</b>	<b>\$ 95,758</b>	<b>\$ 261,967</b>

COUNTY OF ERIE, NEW YORK  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the year ended December 31, 2006  
 (amounts expressed in thousands)

	/----- Special Revenue -----/									
	Road	Sewer	Downtown Mall	E-911	Emergency Response	Grants	ETASC General	ETCC	Community Development	Total
<b>Revenues:</b>										
Real property taxes and tax items	\$	\$ 23,714	\$ 1,231	\$	\$	\$	\$	\$	\$	\$ 24,945
Sales and use taxes				2,806						2,806
Transfer taxes	10,720									10,720
Intergovernmental	6,601	309			41,608	76,877			6,519	131,914
Interfund revenues	250									250
Departmental	88	9,200				2,380			834	12,502
Interest		1,201					1	77		1,279
Miscellaneous	211	108		59		1,295				1,673
<b>Total revenues</b>	<b>17,870</b>	<b>34,532</b>	<b>1,231</b>	<b>2,865</b>	<b>41,608</b>	<b>80,552</b>	<b>1</b>	<b>77</b>	<b>7,353</b>	<b>186,089</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government support			1,231			4,762	155	1,594		7,742
Public safety				2,580		13,300				15,880
Health						12,893				12,893
Transportation	22,240									22,240
Economic assistance and opportunity						52,259			194	52,453
Culture and recreation						366				366
Education						356				356
Home and community service		27,041			41,608				7,163	75,812
Capital outlay										
<b>Debt service:</b>										
Principal retirement										
Interest and fiscal charges								1,151		1,151
<b>Total expenditures</b>	<b>22,240</b>	<b>27,041</b>	<b>1,231</b>	<b>2,580</b>	<b>41,608</b>	<b>83,936</b>	<b>155</b>	<b>2,745</b>	<b>7,357</b>	<b>188,893</b>
(Deficiency) excess of revenues over expenditures	(4,370)	7,491	0	285	0	(3,384)	(154)	(2,668)	(4)	(2,804)
<b>Other financing sources (uses) :</b>										
Issuance of general obligation debt										
Discount on bond issuance										
Premium on bond issuance										
Sale of property									4	4
Transfers in	3,696					3,086	100	7,193		14,075
Transfers out	(461)	(5,357)								(5,818)
<b>Total other financing sources (uses)</b>	<b>3,235</b>	<b>(5,357)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,086</b>	<b>100</b>	<b>7,193</b>	<b>4</b>	<b>8,261</b>
<b>Net change in fund balances</b>	<b>(1,135)</b>	<b>2,134</b>	<b>0</b>	<b>285</b>	<b>0</b>	<b>(298)</b>	<b>(54)</b>	<b>4,525</b>	<b>0</b>	<b>5,457</b>
Fund balances at beginning of year	(1,615)	15,151		44		298	350	(4,525)		9,703
<b>Fund balances at end of year</b>	<b>\$ (2,750)</b>	<b>\$ 17,285</b>	<b>\$ 0</b>	<b>\$ 329</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 296</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 15,160</b>



COUNTY OF ERIE, NEW YORK  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the year ended December 31, 2006  
(amounts expressed in thousands)

	/----- Debt Service -----/			/----- Capital Projects -----/						Total Nonmajor Governmental Funds	
	Debt Service	ETASC Debt Service	Total	General Government Buildings, Equipment and Improvements	Highways, Roads, Bridges and Equipment	Sewers, Facilities Equipment and Improvements	Tobacco Proceeds	Special Capital Projects	ECMCC Capital Projects		Total
Revenues:											
Real property taxes and tax items	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 24,945
Sales and use taxes											2,806
Transfer taxes											10,720
Intergovernmental	2,806	16,331	19,137	5,359	3,609			73		9,041	160,092
Interfund revenues											250
Departmental				14	640					654	13,156
Interest	5,085	1,207	6,292	31		213				244	7,815
Miscellaneous	230		230	4		59				63	1,966
Total revenues	<u>8,121</u>	<u>17,538</u>	<u>25,659</u>	<u>5,408</u>	<u>4,249</u>	<u>272</u>	<u>0</u>	<u>73</u>	<u>0</u>	<u>10,002</u>	<u>221,750</u>
Expenditures:											
Current:											
General government support	844	62	906								8,648
Public safety											15,880
Health											12,893
Transportation											22,240
Economic assistance and opportunity											52,453
Culture and recreation											366
Education											356
Home and community service											75,812
Capital outlay				25,516	9,229	5,572		121	35,559	75,997	75,997
Debt service:											
Principal retirement	34,791	1,725	36,516								36,516
Interest and fiscal charges	23,244	16,697	39,941								41,092
Total expenditures	<u>58,879</u>	<u>18,484</u>	<u>77,363</u>	<u>25,516</u>	<u>9,229</u>	<u>5,572</u>	<u>0</u>	<u>121</u>	<u>35,559</u>	<u>75,997</u>	<u>342,253</u>
(Deficiency) excess of revenues over expenditures	<u>(50,758)</u>	<u>(946)</u>	<u>(51,704)</u>	<u>(20,108)</u>	<u>(4,980)</u>	<u>(5,300)</u>	<u>0</u>	<u>(48)</u>	<u>(35,559)</u>	<u>(65,995)</u>	<u>(120,503)</u>
Other financing sources (uses) :											
Issuance of general obligation debt		17,694	17,694	5,670	4,971	6,441		2,579	26,350	46,011	63,705
Discount on bond issuance		(461)	(461)			(53)				(53)	(514)
Premium on bond issuance	175		175								175
Sale of property											4
Transfers in	53,288		53,288	4,307		1,129				5,436	72,799
Transfers out	(195)	(15,738)	(15,933)				(4,165)	(3,717)	(885)	(8,767)	(30,518)
Total other financing sources (uses)	<u>53,268</u>	<u>1,495</u>	<u>54,763</u>	<u>9,977</u>	<u>4,971</u>	<u>7,517</u>	<u>(4,165)</u>	<u>(1,138)</u>	<u>25,465</u>	<u>42,627</u>	<u>105,651</u>
Net change in fund balances	2,510	549	3,059	(10,131)	(9)	2,217	(4,165)	(1,186)	(10,094)	(23,368)	(14,852)
Fund balances at beginning of year	13,285	19,413	32,698	45,734	13,012	5,422	8,324	3,291	25,939	101,722	144,123
Fund balances at end of year	<u>\$ 15,795</u>	<u>\$ 19,962</u>	<u>\$ 35,757</u>	<u>\$ 35,603</u>	<u>\$ 13,003</u>	<u>\$ 7,639</u>	<u>\$ 4,159</u>	<u>\$ 2,105</u>	<u>\$ 15,845</u>	<u>\$ 78,354</u>	<u>\$ 129,271</u>

COUNTY OF ERIE, NEW YORK  
Road Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Non-GAAP Basis of Accounting)  
For the fiscal year ended December 31, 2006  
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>				
Transfer taxes	\$ 9,000	\$ 9,000	\$ 10,720	\$ 1,720
Intergovernmental	6,232	6,232	6,601	369
Interfund revenue			250	250
Departmental	125	125	88	(37)
Miscellaneous	8	8	211	203
Total revenues	<u>15,365</u>	<u>15,365</u>	<u>17,870</u>	<u>2,505</u>
<b>Expenditures:</b>				
Transportation	<u>18,100</u>	<u>20,866</u>	<u>20,462</u>	<u>404</u>
(Deficiency) excess of revenues over expenditures	<u>(2,735)</u>	<u>(5,501)</u>	<u>(2,592)</u>	<u>2,909</u>
<b>Other financing sources (uses):</b>				
Transfers in	3,196	3,696	3,696	
Transfers out	(461)	(461)	(461)	
Total other financing sources (uses)	<u>2,735</u>	<u>3,235</u>	<u>3,235</u>	<u>0</u>
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 0</u>	<u>\$ (2,266)</u>	<u>\$ 643</u>	<u>\$ 2,909</u>

COUNTY OF ERIE, NEW YORK  
Sewer Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Non-GAAP Basis of Accounting)  
For the fiscal year ended December 31, 2006  
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>				
Real property taxes and tax items	\$ 23,674	\$ 23,674	\$ 23,714	\$ 40
Intergovernmental			309	309
Departmental	8,723	8,723	9,200	477
Interest	304	304	1,201	897
Miscellaneous	127	127	108	(19)
Total revenues	<u>32,828</u>	<u>32,828</u>	<u>34,532</u>	<u>1,704</u>
<b>Expenditures:</b>				
Home and community services	<u>32,290</u>	<u>32,350</u>	<u>28,321</u>	<u>4,029</u>
(Deficiency) excess of revenues over expenditures	<u>538</u>	<u>478</u>	<u>6,211</u>	<u>5,733</u>
<b>Other financing sources (uses):</b>				
Transfers in	170	170		(170)
Transfers out	<u>(5,115)</u>	<u>(6,115)</u>	<u>(5,357)</u>	<u>758</u>
Total other financing sources (uses)	<u>(4,945)</u>	<u>(5,945)</u>	<u>(5,357)</u>	<u>588</u>
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (4,407)</u>	<u>\$ (5,467)</u>	<u>\$ 854</u>	<u>\$ 6,321</u>

COUNTY OF ERIE, NEW YORK  
Downtown Mall Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Non-GAAP Basis of Accounting)  
For the fiscal year ended December 31, 2006  
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Real property taxes and tax items	\$ 1,240	\$ 1,240	\$ 1,231	\$ (9)
Total revenues	<u>1,240</u>	<u>1,240</u>	<u>1,231</u>	<u>(9)</u>
Expenditures:				
General government support	<u>1,240</u>	<u>1,240</u>	<u>1,231</u>	<u>9</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

COUNTY OF ERIE, NEW YORK  
E-911 Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Non-GAAP Basis of Accounting)  
For the fiscal year ended December 31, 2006  
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Sales and use taxes	\$ 2,720	\$ 2,720	\$ 2,806	\$ 86
Miscellaneous			59	59
Total revenues	<u>2,720</u>	<u>2,720</u>	<u>2,865</u>	<u>145</u>
Expenditures:				
Public safety	<u>2,720</u>	<u>2,720</u>	<u>2,569</u>	<u>151</u>
Deficiency (excess) of revenues over expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 296</u>	<u>\$ 296</u>

COUNTY OF ERIE, NEW YORK  
 Emergency Response Special Revenue Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual (Non-GAAP Basis of Accounting)  
 For the fiscal year ended December 31, 2006  
 (amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Intergovernmental	\$	41,628	\$ 41,608	\$ (20)
Total revenues	<u>0</u>	<u>41,628</u>	<u>41,608</u>	<u>(20)</u>
Expenditures:				
Home and community service		<u>41,628</u>	<u>41,628</u>	<u>0</u>
 (Deficiency) excess of revenues over expenditures	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ (20)</u>	 <u>\$ (20)</u>

COUNTY OF ERIE, NEW YORK  
Debt Service Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Non-GAAP Basis of Accounting)  
For the fiscal year ended December 31, 2006  
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,805	\$ 1,805	\$ 2,806	\$ 1,001
Interest	1,437	1,572	5,085	3,513
Miscellaneous			230	230
Total revenues	<u>3,242</u>	<u>3,377</u>	<u>8,121</u>	<u>4,744</u>
Expenditures:				
Current:				
General government support	655	965	844	121
Debt Service:				
Principal retirement	35,539	35,525	34,791	734
Interest and fiscal charges	<u>23,500</u>	<u>23,286</u>	<u>23,244</u>	<u>42</u>
Total expenditures	<u>59,694</u>	<u>59,776</u>	<u>58,879</u>	<u>897</u>
Deficiency (excess) of revenues over expenditures	<u>(56,452)</u>	<u>(56,399)</u>	<u>(50,758)</u>	<u>5,641</u>
Other financing sources (uses):				
Premium on bond issuance	200	200	175	(25)
Transfers In	53,644	53,644	53,288	(356)
Transfers out		(53)	(195)	(142)
Total other financing sources (uses)	<u>53,844</u>	<u>53,791</u>	<u>53,268</u>	<u>(523)</u>
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (2,608)</u>	<u>\$ (2,608)</u>	<u>\$ 2,510</u>	<u>\$ 5,118</u>

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## **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. Agency funds, such as payroll withholdings, are reported as liabilities.

COUNTY OF ERIE, NEW YORK  
Statement of Changes in Assets and Liabilities  
Agency Fund  
For the year ended December 31, 2006  
(amounts expressed in thousands)

	Balance 1/1/2006	Additions	Deductions	Balance 12/31/2006
<b>Assets</b>				
Cash and cash equivalents	\$ 35,348	\$ 535,578	\$ 531,094	\$ 39,832
Receivables:				
Due from other funds	3,557		3,557	
Due from component unit	588		588	
Due from other governments	320	3,161	3,479	2
Other receivables	27	11,963	11,967	23
Bonds and securities held in custody	151	5	1	155
<b>Total assets</b>	<u>\$ 39,991</u>	<u>\$ 550,707</u>	<u>\$ 550,686</u>	<u>\$ 40,012</u>
<b>Liabilities</b>				
Due to other funds	\$ 725	\$	\$ 725	\$
Due to other governments	5,993	161,669	161,777	5,885
Held in custody for others:				
Court funds	5,679	2,306	1,292	6,693
Mortgage tax	3,697	20,936	21,732	2,901
Social services	4,548	94,830	93,831	5,547
Bail and bid deposits	1,005	694	857	842
Payroll taxes and withholdings	8,261	224,824	226,905	6,180
Miscellaneous - other	10,083	10,727	8,846	11,964
Total amounts held in custody for others	<u>33,273</u>	<u>354,317</u>	<u>353,463</u>	<u>34,127</u>
<b>Total liabilities</b>	<u>\$ 39,991</u>	<u>\$ 515,986</u>	<u>\$ 515,965</u>	<u>\$ 40,012</u>

## **LIBRARY COMPONENT UNIT**

The financial data shown for the Buffalo and Erie County Public 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.

COUNTY OF ERIE, NEW YORK  
 Balance Sheet  
 Component Unit  
 December 31, 2006  
 (amounts expressed in thousands)

	<u>Component Unit</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 5,494
Receivables (net of allowances)	
Other	37
Due from other governments	671
Prepaid items	243
<b>Total assets</b>	<u>\$ 6,445</u>
<b>Liabilities and Fund Balances</b>	
Liabilities:	
Accounts payable	\$ 602
Accrued liabilities	543
Unearned revenue	336
<b>Total liabilities</b>	<u>1,481</u>
Fund Balances	
Reserved for:	
Encumbrances	319
Prepaid items	243
Unreserved, reported in:	
Designated	2,186
Undesignated	2,216
<b>Total fund balances</b>	<u>4,964</u>
<b>Total liabilities and fund balances</b>	<u>\$ 6,445</u>

COUNTY OF ERIE, NEW YORK  
 Reconciliation of Statement of Net Assets  
 To Component Unit Fund Balance  
 For the year ended December 31, 2006  
 (amounts expressed in thousands)

	<u>Component Unit</u>
Total Component Unit Fund Balance	\$ 4,964
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	17,538
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,368)
Net assets of component unit activities	<u>\$ 20,134</u>

COUNTY OF ERIE, NEW YORK  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Component Unit  
For the year ended December 31, 2006  
(amounts expressed in thousands)

	<u>Component Unit</u>
Revenues:	
Real property taxes and tax items	\$ 21,672
Intergovernmental	2,915
Departmental	767
Interest	67
Miscellaneous	467
Total revenues	<u>25,888</u>
Expenditures:	
Current:	
Culture and recreation	23,714
Total expenditures	<u>23,714</u>
Excess of revenues over expenditures	<u>2,174</u>
Net change in fund balances	2,174
Fund balance at beginning of year	2,790
Fund balance at end of year	<u>\$ 4,964</u>

COUNTY OF ERIE, NEW YORK  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balance of Component Unit  
 To the Statement of Activities  
 For the year ended December 31, 2006  
 (amounts expressed in thousands)

	<u>Component Unit</u>
Amounts reported for component unit activities in the statement of activities are different because:	
Net change in fund balance - component unit	\$ 2,174
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 in the current period	
Expenditures for capital assets	\$ 2,715
Donated capital assets	637
Capital assets deleted	(360)
Less current year depreciation	<u>(4,073)</u>
Net adjustment	(1,081)
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.	1,441
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect in the treatment of long-term debt. Neither transaction has an effect on net assets.	
Principal retirement	208
Amortization of fiscal charges	<u>1</u>
Net adjustment	209
Change in net assets of component unit activities	<u><u>\$ 2,743</u></u>

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## **OTHER COMPONENT UNITS**

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.

COUNTY OF ERIE, NEW YORK  
Combining Statement of Net Assets  
Other Component Units  
December 31, 2006  
(amounts expressed in thousands)

	College Foundation August 31, 2006	Auxiliary Services Corporation August 31, 2006	Total
<b>Assets</b>			
Cash	\$ 475	\$ 534	\$ 1,009
Investments	1,110		1,110
Receivables (net of allowances)		157	157
Inventories		45	45
Prepaid items		2	2
Other assets	527	990	1,517
Capital assets			
Other capital assets, net of depreciation		676	676
Total assets	<u>2,112</u>	<u>2,404</u>	<u>4,516</u>
<b>Liabilities</b>			
Accounts payable	18	108	126
Accrued liabilities	13	990	1,003
Total liabilities	<u>31</u>	<u>1,098</u>	<u>1,129</u>
<b>Net Assets</b>			
Restricted for:			
Other purposes	1,607		1,607
Unrestricted	474	1,306	1,780
Total net assets	<u>\$ 2,081</u>	<u>\$ 1,306</u>	<u>\$ 3,387</u>

COUNTY OF ERIE, NEW YORK  
Combining Statement of Activities  
Other Component Units  
For the year ended December 31, 2006  
(amounts expressed in thousands)

	College Foundation August 31, 2006	Auxiliary Services Corporation August 31, 2006	Total
Expenses			
Program operations	\$ 971	\$ 2,642	\$ 3,613
Total expenses	<u>971</u>	<u>2,642</u>	<u>3,613</u>
Program revenues			
Charges for services	86	2,657	2,743
Operating grants and contributions	1,197		1,197
Total program revenues	<u>1,283</u>	<u>2,657</u>	<u>3,940</u>
Net program revenues	312	15	327
General revenues			
Interest earnings not restricted to specific programs	46		46
Total general revenues	<u>358</u>	<u>15</u>	<u>373</u>
Change in net assets	358	15	373
Total net assets-beginning	<u>1,723</u>	<u>1,291</u>	<u>3,014</u>
Total net assets-ending	<u>\$ 2,081</u>	<u>\$ 1,306</u>	<u>\$ 3,387</u>

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## 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.

<b>Contents</b>	<b>Page</b>
Financial Trends.....	107
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.....	112
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 .....	117
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 .....	122
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.....	124
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.	

COUNTY OF ERIE, NEW YORK  
 Net Assets by Component  
 Last Five Fiscal Years (1)  
 (accrual basis of accounting)  
 (amounts expressed in thousands)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental activities</b>					
Invested in capital assets net of related debt	\$ 414,620	\$ 424,596	\$ 453,359	\$ 422,636	\$ 343,309
Restricted	177,749	106,874	118,461	101,205	23,246
Unrestricted	124,777	42,301	(407,444)	(480,803)	(317,433)
Total governmental activities net assets	<u>\$ 717,146</u>	<u>\$ 573,771</u>	<u>\$ 164,376</u>	<u>\$ 43,038</u>	<u>\$ 49,122</u>
<b>Business-type activities</b>					
Invested in capital assets net of related debt	\$ 23,479	\$ 74,378	\$ 6,670	\$ 6,775	\$ 6,653
Restricted	5,485	3,893			
Unrestricted	19,287	(34,002)	6,429	6,759	7,892
Total business-type activities net assets	<u>\$ 24,772</u>	<u>\$ 44,269</u>	<u>\$ 13,099</u>	<u>\$ 13,534</u>	<u>\$ 14,545</u>
<b>Primary government</b>					
Invested in capital assets net of related debt	\$ 438,099	\$ 498,974	\$ 460,029	\$ 429,411	\$ 349,962
Restricted	183,234	110,767	118,461	101,205	23,246
Unrestricted	144,064	8,299	(401,015)	(474,044)	(309,541)
Total primary government net assets	<u>\$ 765,397</u>	<u>\$ 618,040</u>	<u>\$ 177,475</u>	<u>\$ 56,572</u>	<u>\$ 63,667</u>

Note:

(1) The year ended December 31, 2002, was the first year the County's financial statements were prepared in accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." As such, only five years of data is presented.

Source: Erie County Basic Financial Statements

COUNTY OF ERIE, NEW YORK  
 Changes in Net Assets  
 Last Five Fiscal Years (1)  
 (accrual basis of accounting)  
 (amounts expressed in thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Expenses</b>					
Primary government:					
Governmental activities:					
General government	\$ 80,900	\$ 94,547	\$ 146,767	\$ 124,393	\$ 86,640
Public safety	109,422	118,743	123,046	118,692	128,222
Health	61,874	70,179	97,512	80,468	110,413
Transportation	50,801	60,438	55,014	61,850	60,742
Economic assistance and opportunity	563,179	555,306	607,721	525,492	541,220
Culture and recreation	29,170	28,431	37,374	20,030	20,278
Education	48,917	52,548	57,304	62,870	67,310
Home and community service	44,137	42,528	43,121	44,792	82,954
Interest and fiscal charges	12,199	15,349	34,630	38,797	49,878
Total governmental activities expenses	<u>1,000,599</u>	<u>1,038,069</u>	<u>1,202,489</u>	<u>1,077,384</u>	<u>1,147,657</u>
Business-type activities:					
Erie County Medical Center(2)	260,635	276,369	1,847		
Community College (fiscal year ending August 31)	76,350	82,717	91,388	96,750	99,690
Nonmajor fund	28,606	35,925	38,051	49,656	50,971
Total business-type activities expenses	<u>365,591</u>	<u>395,011</u>	<u>131,286</u>	<u>146,406</u>	<u>150,661</u>
Total primary government expenses	<u>\$ 1,366,190</u>	<u>\$ 1,433,080</u>	<u>\$ 1,333,775</u>	<u>\$ 1,223,790</u>	<u>\$ 1,298,318</u>
<b>Program Revenues</b>					
Primary government:					
Governmental activities:					
Charges for services:					
General government	\$ 18,414	\$ 18,623	\$ 16,398	\$ 14,196	\$ 20,736
Public safety	6,863	8,409	8,607	9,030	8,524
Health	1,776	2,949	4,289	3,173	4,466
Transportation	1,616	1,982	1,521	1,103	729
Economic assistance and opportunity	25,148	28,085	30,363	27,729	26,186
Culture and recreation	950	1,013	2,592	3,186	3,462
Education	119	95	95	95	764
Home and community service	9,396	10,043	11,679	11,182	10,263
Operating grants and contributions	359,984	372,664	411,334	418,677	476,963
Capital grants and contributions	13,867	14,459	12,962	5,421	9,041
Total governmental activities program revenues	<u>438,133</u>	<u>458,322</u>	<u>499,840</u>	<u>493,792</u>	<u>561,134</u>
Business-type activities:					
Charges for services:					
Erie County Medical Center (2)	318,933	294,217			
Community College (fiscal year ending August 31st)	16,752	19,849	22,962	25,383	25,596
Nonmajor fund	28,873	36,836	37,763	49,961	51,360
Operating grants and contributions	24,155	24,552	27,857	30,135	30,471
Capital grants and contributions	41	67			
Total business-type activities program revenues	<u>388,754</u>	<u>375,521</u>	<u>88,582</u>	<u>105,479</u>	<u>107,427</u>
Total primary government program revenues	<u>\$ 826,887</u>	<u>\$ 833,843</u>	<u>\$ 588,422</u>	<u>\$ 599,271</u>	<u>\$ 668,561</u>

COUNTY OF ERIE, NEW YORK  
 Changes in Net Assets  
 Last Five Fiscal Years (1)  
 (accrual basis of accounting)  
 (amounts expressed in thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Net (Expense)/Revenue					
Governmental activities	\$ (562,466)	\$ (579,747)	\$ (702,649)	\$ (583,592)	\$ (586,523)
Business-type activities	23,163	(19,490)	(42,704)	(40,927)	(43,234)
Total primary government net expense	\$ (539,303)	\$ (599,237)	\$ (745,353)	\$ (624,519)	\$ (629,757)

**General Revenues and Other Changes  
 in Net Assets**

Governmental Activities:

Taxes					
Property taxes levied for mall, sewer, and general purposes	\$ 164,621	\$ 146,543	\$ 157,440	\$ 172,741	\$ 212,177
Sales and use taxes	242,031	256,727	256,173	281,019	365,087
Transfer taxes	8,018	9,250	14,687	11,256	10,720
Interest earnings not restricted to specific programs	16,442	4,202	1,235	104	
Unrestricted interest earnings	3,351	2,981	2,885	4,760	7,268
Miscellaneous	10,361	7,261	59,335	7,685	14,460
Gain on sale of capital assets	126	275	941	108	183
Special item - transfer of liability	(4,000)				
Transfers	41,852	9,133	13,291	(15,419)	(17,288)
Total governmental activities	482,802	436,372	505,987	462,254	592,607

Business-type activities:

Unrestricted state and local appropriations	22,186	24,042	26,089	25,815	27,894
Unrestricted interest earnings	381	307	201	403	955
Loss on sale of capital assets					(33)
Special item - transfer of liability	4,000				
Transfers	(41,928)	(8,841)	(13,477)	15,144	15,429
Total business-type activities	(15,361)	15,508	12,813	41,362	44,245
Total primary government	\$ 467,441	\$ 451,880	\$ 518,800	\$ 503,616	\$ 636,852

**Change in Net Assets**

Governmental activities	\$ (79,664)	\$ (143,375)	\$ (196,662)	\$ (121,338)	\$ 6,084
Business-type activities	7,802	(3,982)	(29,891)	435	1,011
Total primary government	\$ (71,862)	\$ (147,357)	\$ (226,553)	\$ (120,903)	\$ 7,095

Notes:

(1) The year ended December 31, 2002, was the first year the County's financial statements were prepared in accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." As such, only five years of data is presented.

(2) Erie County Medical Center ("ECMC") was sold to the Erie County Medical Center Corporation ("ECMCC") on January 1, 2004. The sale resulted in the elimination of ECMC from the Business-type activity section and ECMCC being reported as a component unit.

Source: Erie County Basic Financial Statements



COUNTY OF ERIE, NEW YORK  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General fund										
Reserved	\$ 52,813	\$ 47,646	\$ 41,730	\$ 45,679	\$ 44,468	\$ 34,070	\$ 15,579	\$ 15,707	\$ 7,085	\$ 11,723
Unreserved	49,337	97,155	147,113	156,363	147,614	116,211	90,564	(10,774)	7,323	26,510
Total general fund	<u>\$ 102,150</u>	<u>\$ 144,801</u>	<u>\$ 188,843</u>	<u>\$ 202,042</u>	<u>\$ 192,082</u>	<u>\$ 150,281</u>	<u>\$ 106,143</u>	<u>\$ 4,933</u>	<u>\$ 14,408</u>	<u>\$ 38,233</u>
All other governmental funds										
Reserved	\$ 31,679	\$ 31,962	\$ 52,742	\$ 51,687	\$ 45,705	\$ 105,559	\$ 102,484	\$ 96,829	\$ 67,678	\$ 63,364
Unreserved, reported in:										
Special revenue funds	12,930	15,296	19,845	15,948	14,868	8,429	8,990	6,988	1,456	7,120
Debt service fund	12,500	12,500	10,813							
Capital project funds	14,691	17,549	14,550	217,757	211,915	113,561	41,761	56,411	75,024	58,787
Total all other governmental fund	<u>\$ 71,800</u>	<u>\$ 77,307</u>	<u>\$ 97,950</u>	<u>\$ 285,392</u>	<u>\$ 272,488</u>	<u>\$ 227,549</u>	<u>\$ 153,235</u>	<u>\$ 160,228</u>	<u>\$ 144,158</u>	<u>\$ 129,271</u>

Sources:  
Erie County General Purpose Financial Statements 1997-2001  
Erie County Basic Financial Statements 2002-2006

COUNTY OF ERIE, NEW YORK  
 Changes in Fund Balances of Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 (amounts expressed in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenues</b>										
Real property taxes and tax items	\$ 233,295	\$ 244,779	\$ 234,842	\$ 198,230	\$ 164,082	\$ 165,439	\$ 175,033	\$ 159,001	\$ 171,011	\$ 201,008
Sales and use taxes	213,346	209,786	228,276	239,659	241,814	242,031	256,727	256,173	281,019	365,087
Transfer taxes	6,639	7,179	7,295	7,255	7,360	8,018	9,250	14,687	11,256	10,720
Intergovernmental	290,794	326,477	327,747	324,177	382,255	383,396	393,744	423,443	416,006	478,233
Interfund revenues	22,297	25,157	26,262	28,006	28,893	37,303	40,697	9,876	1,488	250
Departmental	66,753	59,103	62,262	59,269	60,808	59,241	67,996	72,465	68,549	75,086
Interest	19,127	19,766	18,528	22,918	27,440	23,738	10,944	8,052	14,099	15,083
Miscellaneous	15,023	19,077	25,073	22,902	46,131	15,467	9,847	60,098	7,898	10,608
<b>Total revenues</b>	<b>867,274</b>	<b>911,324</b>	<b>930,285</b>	<b>902,416</b>	<b>958,783</b>	<b>934,633</b>	<b>964,238</b>	<b>1,003,795</b>	<b>971,326</b>	<b>1,156,075</b>
<b>Expenditures</b>										
General government support	80,137	83,518	68,936	77,226	74,887	81,164	81,254	97,538	105,998	98,641
Public safety	74,377	82,254	89,283	92,544	101,918	106,929	120,651	119,412	116,455	125,914
Health	42,062	45,218	50,080	53,719	60,838	62,540	71,031	93,095	73,013	72,284
Transportation	36,864	37,483	39,632	40,653	35,448	36,310	37,336	43,274	43,396	41,814
Economic assistance and opportunity	487,132	484,531	516,529	541,517	571,214	584,469	581,186	605,809	524,994	540,667
Culture and recreation	14,179	11,514	16,263	16,273	16,935	18,652	18,243	23,849	17,363	17,577
Education	36,978	36,830	37,362	40,128	43,387	45,893	50,946	55,417	61,137	65,690
Home and community service	26,661	28,089	28,285	31,222	32,889	39,771	38,199	34,182	34,629	77,928
Capital Outlay	38,136	38,771	40,496	57,213	74,334	106,558	148,630	133,815	59,237	75,997
Debt service:										
Principal retirement	27,573	27,535	26,422	25,250	21,452	23,148	24,024	21,988	28,790	36,516
Interest and fiscal charges	15,471	14,319	12,619	10,349	22,977	27,050	29,693	35,068	46,435	46,477
<b>Total expenditures</b>	<b>879,570</b>	<b>890,062</b>	<b>925,907</b>	<b>986,094</b>	<b>1,056,279</b>	<b>1,132,484</b>	<b>1,201,193</b>	<b>1,263,447</b>	<b>1,111,447</b>	<b>1,199,505</b>
Excess of revenues over (under) expenditures	(12,296)	21,262	4,378	(83,678)	(97,496)	(197,851)	(236,955)	(259,652)	(140,121)	(43,430)
<b>Other financing sources (uses) :</b>										
Proceeds of general obligation debt	27,491	13,414	26,469	273,125	40,569	63,078	98,011	99,222	103,530	70,205
Discount on bond issuance										(514)
Premium on bond issuance						4,963	10,140	7,624	4,970	175
Proceeds of refunding bonds						5,340	16,375		359,300	
Payments to refunded bond escrow	(11,003)					(5,340)	(16,411)		(318,963)	
Sale of property	110	170	279	142	134	126	275	941	108	183
Intergovernmental transfers in						78,647	44,429			
Transfers in	109,756	123,131	138,711	125,283	140,472	90,765	116,207	118,131	326,803	443,821
Operating transfers from component unit	567	949	1,057	1,093	1,148					
Transfers out	(93,055)	(110,713)	(105,960)	(83,069)	(102,914)	(127,560)	(151,503)	(94,132)	(342,222)	(461,109)
Operating transfers to component unit	(21)	(55)	(252)	(1,053)	(218)	(40)				
<b>Total other financing sources (uses)</b>	<b>33,845</b>	<b>26,896</b>	<b>60,304</b>	<b>315,521</b>	<b>79,191</b>	<b>109,979</b>	<b>117,523</b>	<b>131,786</b>	<b>133,526</b>	<b>52,761</b>
<b>Net change in fund balances</b>	<b>\$ 21,549</b>	<b>\$ 48,158</b>	<b>\$ 64,682</b>	<b>\$ 231,843</b>	<b>\$ (18,305)</b>	<b>\$ (87,872)</b>	<b>\$ (119,432)</b>	<b>\$ (127,866)</b>	<b>\$ (6,595)</b>	<b>\$ 9,331</b>
Debt service as a percentage of non-capital expenditures	5.1%	4.9%	4.4%	3.8%	4.5%	4.9%	5.1%	5.1%	7.1%	7.4%

Sources:  
 Erie County General Purpose Financial Statements 1997-2001  
 Erie County Basic Financial Statements 2002-2006

COUNTY OF ERIE, NEW YORK  
 Direct and Overlapping Sales Tax Rates (1)  
 Last Ten Fiscal Years

Fiscal Year	County Direct Rate (2)				New York State	Total Rate
	County (3)	Cities, Towns and Villages	School Districts	Total County Direct Rate		
1997	2.06%	1.07%	0.87%	4.00%	4.00%	8.00%
1998	2.06%	1.07%	0.87%	4.00%	4.00%	8.00%
1999	2.06%	1.07%	0.87%	4.00%	4.00%	8.00%
2000	2.06%	1.07%	0.87%	4.00%	4.00%	8.00%
2001	2.06%	1.07%	0.87%	4.00%	4.00%	8.00%
2002	2.06%	1.07%	0.87%	4.00%	4.00%	8.00%
2003	2.06%	1.07%	0.87%	4.00%	4.25%	8.25%
2004	2.06%	1.07%	0.87%	4.00%	4.25%	8.25%
2005	2.31%	1.07%	0.87%	4.25%	4.00%	8.25%
2006	2.81%	1.07%	0.87%	4.75%	4.00%	8.75%

Notes:

(1) Rates effective as of December 31.

(2) A general sales and compensating use tax is levied on all taxable retail sales in the County. Of the total tax collected by New York State, the applicable percentage is retained as State revenue and the remainder is returned to the County for County purposes and distribution to the Cities, Towns, Villages and School Districts in the County pursuant to a sales tax sharing agreement. Detailed information regarding payers or remitters is not available.

(3) Through legislation approved by the County and the State of New York, the County initiated additional sales and use taxes of 0.25 percent effective July 1, 2005 and 0.50 percent effective January 15, 2006. These additional taxes generated approximately \$14.5 million in 2005 and \$92.8 million in 2006.

Sources: Erie County Division of Budget, Management and Finance  
 New York State Department of Taxation and Finance

COUNTY OF ERIE, NEW YORK  
 Assessed and Equalized Full Value of Taxable Property (1)  
 Last Ten Fiscal Years  
 (amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Residential Property (2)</u>	<u>Commercial Property (2)</u>	<u>Total Assessed Property Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Total Actual Taxable Equalized Full Value</u>	<u>Assessed Value (1) as a Percentage of Equalized Full Value</u>
1997			\$ 26,636,308	\$ 1,951,275	\$ 24,685,033	\$ 8.31	\$ 32,164,197	76.75%
1998			27,220,052	1,980,082	25,239,970	8.35	32,320,448	78.09%
1999			27,295,843	2,115,366	25,180,477	8.18	32,359,413	77.81%
2000			27,349,085	2,115,366	25,233,719	6.90	32,429,194	77.81%
2001			29,042,626	2,193,120	26,849,506	5.99	31,941,365	84.06%
2002			28,539,704	2,059,013	26,480,691	6.09	32,145,256	82.38%
2003			29,065,096	2,038,457	27,026,639	5.86	33,576,174	80.49%
2004			29,627,131	2,069,944	27,557,187	5.76	34,479,047	79.92%
2005			30,428,497	2,151,762	28,276,735	5.66	35,980,745	78.59%
2006	22,824,388	9,589,325	32,413,713	2,248,397	30,165,316	6.23	38,102,216	79.17%

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) Pre-2006 breakdown of residential and commercial property value is not available

Source: Erie County Division of Budget, Management and Finance

COUNTY OF ERIE, NEW YORK  
 Direct and Overlapping Property Tax Rates  
 Last Ten Fiscal Years  
 (rate per \$1,000 of assessed value)

Fiscal Year	Erie County Direct Rates			Overlapping Rates			
	General Fund	Special Revenue Funds	Total Direct	Cities, Towns & Villages	School Districts	Special Districts	City of Buffalo (1)
1997	\$ 7.04	\$ 1.27	\$ 8.31	\$ 3.77	\$ 16.94	\$ 5.46	\$ 22.89
1998	7.00	1.35	8.35	3.79	17.32	5.47	22.86
1999	6.85	1.33	8.18	3.63	17.11	5.39	25.57
2000	5.61	1.29	6.90	3.59	17.58	5.25	26.00
2001	4.71	1.28	5.99	3.86	18.36	5.48	24.28
2002	4.75	1.34	6.09	3.89	18.49	5.32	25.10
2003	4.54	1.32	5.86	3.95	18.40	5.39	25.04
2004	4.42	1.34	5.76	4.07	18.80	5.51	26.64
2005	4.38	1.28	5.66	4.23	18.99	5.73	27.47
2006	4.94	1.29	6.23	4.19	18.64	5.63	26.70

Notes:

- (1) City of Buffalo is presented separately and is, therefore, not included in the column for cities, towns, and villages.  
 The rate shown for Buffalo includes the levy for the Buffalo school system which receives funding from the City and cannot levy taxes.

Source: Erie County Division of Budget, Management and Finance

COUNTY OF ERIE, NEW YORK  
Principal Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2006			1997		
	Equalized Full Value	Rank	Percentage of Equalized Full Value (1)	Equalized Full Value	Rank	Percentage of Equalized Full Value (1)
National Fuel Gas	\$ 636,428,510	1	1.67%	\$ 571,966,435	2	1.78%
Niagara Mohawk Power Corp.	531,421,594	2	1.39%	896,072,257	1	2.79%
Verizon New York Inc. (previously Bell Atlantic)	323,169,699	3	0.85%	306,411,053	3	0.95%
DDR MDT LLC	247,224,564	4	0.65%			
Benderson Development Co.	213,125,498	5	0.56%	176,420,932	5	0.55%
N.Y. State Elect. & Gas Corp.	206,632,061	6	0.54%	213,438,630	4	0.66%
Pyramid Company of Buffalo	135,032,769	7	0.35%	110,046,679	7	0.34%
Pennsylvania Lines LLC	84,940,122	8	0.22%			
Boulevard Mall LLC	70,815,694	9	0.19%			
Wegman's Food Market	70,784,841	10	0.19%			
Consolidated Rail				166,001,569	6	0.52%
DeBartolo Capital				74,237,267	8	0.23%
Bethlehem Steel Corp.				66,235,091	9	0.21%
Marine Buffalo Associates				59,381,129	10	0.18%
Totals	\$ <u>2,519,575,352</u>		<u>6.61%</u>	\$ <u>2,640,211,042</u>		<u>8.21%</u>

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)

Source: Erie County Division of Budget, Management and Finance

COUNTY OF ERIE, NEW YORK  
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 for the Fiscal Year	Collected within the Fiscal Year of the Lev		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 226,286,170	\$ 262,655,166	\$ 488,941,336	\$ 467,273,375	95.57%	\$ 21,389,265	\$ 488,662,640	99.94%
1998	226,286,170	267,684,809	493,970,979	476,020,723	96.37%	17,683,193	493,703,916	99.95%
1999	221,666,390	269,025,883	490,692,273	472,702,077	96.33%	17,679,215	490,381,292	99.94%
2000	181,766,441	264,252,917	446,019,358	430,122,427	96.44%	14,345,206	444,467,633	99.65%
2001	152,529,551	272,025,188	424,554,739	411,135,430	96.84%	13,086,733	424,222,163	99.92%
2002	152,529,551	278,036,112	430,565,663	416,506,625	96.73%	13,714,494	430,221,119	99.92%
2003	152,529,551	294,505,821	447,035,372	446,461,743	99.87%	278,578	446,740,321	99.93%
2004	152,529,551	311,903,684	464,433,235	463,669,059	99.84%	55,491	463,724,550	99.85%
2005	157,641,299	335,876,407	493,517,706	492,180,009	99.73%	1,016,127	493,196,136	99.93%
2006	188,094,445	352,486,078	540,580,523	528,350,674	97.74%		528,350,674	97.74%

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 on page 46 for more information on the annual property tax levy process.

Source: Erie County Division of Budget, Management and Finance

COUNTY OF ERIE, NEW YORK  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
(dollars in thousands, except per capita)

Fiscal Year	Governmental	Business-Type	Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
	Activities	Activities (1)			
	General Obligation Bonds	General Obligation Bonds			
1997	\$ 147,343	\$ 46,417	\$ 193,760	0.85%	\$ 206
1998	132,721	54,403	187,124	0.78%	200
1999	128,269	48,301	176,570	0.78%	191
2000	155,059	41,961	197,020	0.74%	207
2001	172,056	33,588	205,644	0.76%	217
2002	211,372	26,730	238,102	0.87%	252
2003	285,261	21,988	307,249	1.08%	326
2004	368,760		368,760	1.24%	394
2005	432,749		432,749	1.41%	465
2006	444,701		444,701	N/A	483

Notes:

(1) Erie County Medical Center ("ECMC") was sold to the Erie County Medical Center Corporation ("ECMCC") on January 1, 2004. The sale resulted in the elimination of ECMC from the Business-type activity section and ECMCC being reported as a component unit.

(2) See the "Demographic and Economic Statistics" on page 122 for personal income and population data.

N/A = Not available

Sources:

Debt: Erie County General Purpose Financial Statements 1997-2001  
Erie County Basic Financial Statements 2002-2006



COUNTY OF ERIE, NEW YORK  
 Ratios of General Bonded Debt Outstanding  
 Last Ten Fiscal Years  
 (dollars in thousands, except per capita)

<u>Fiscal Year</u>	<u>General Net Bonded Debt Outstanding (1,2)</u>	<u>Percentage of Actual Taxable Value (3) of Property</u>	<u>Per Capita (4)</u>
1997	\$ 193,760	0.78%	\$ 206
1998	187,124	0.74%	200
1999	176,570	0.70%	191
2000	197,020	0.78%	207
2001	205,644	0.77%	217
2002	238,102	0.90%	252
2003	307,249	1.14%	326
2004	368,760	1.34%	394
2005	432,749	1.53%	465
2006	444,701	1.47%	483

Notes:

- (1) 2003 to 2006 - Excludes Library Component Unit bonds.
- (2) Does not include sewer bonds which are considered self-supporting debt.
- (3) See the "Assessed and Equalized Full Value of Taxable Property" schedule schedule on page 113 for property value data.
- (4) See the "Demographic and Economic Statistics" schedule on page 122 for population data.

Sources:

Debt: Erie County General Purpose Financial Statements 1997-2001  
 Erie County Basic Financial Statements 2002-2006

COUNTY OF ERIE, NEW YORK  
 Direct And Overlapping Governmental Activities Debt  
 As of December 31, 2006  
 (amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Fiscal Year Ended</u>	<u>Net Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Cities	06/30/05	\$ 245,580	100%	\$ 245,580
Towns	12/31/05	175,769	100%	175,769
Villages	05/31/05	18,710	100%	18,710
School districts	06/30/05	1,299,377	100%	1,299,377
Fire districts	12/31/05	13,380	100%	13,380
Subtotal, overlapping debt				1,752,816
<b>County direct debt</b>				<u>562,286</u>
<b>Total direct and overlapping debt</b>				<u>\$ 2,315,102</u>

Note:

(1) The amounts presented represent the net debt subject to legal limitations. Items such as water and certified sewer debt, tax and revenue anticipation notes, etc. are legally excludable in the determination of net indebtedness by municipalities, as is estimated state building aid for school districts.

Sources:

Net debt outstanding of Erie County - Erie County Comptroller's Office  
 All other information presented is the latest available from the New York State Office of the State Comptroller.

COUNTY OF ERIE, NEW YORK  
 Legal Debt Margin Information  
 Last Ten Fiscal Years  
 (amounts expressed in thousands)

**Legal Debt Margin Calculation for Fiscal Year 2006 (1)**

Full value (average five-year valuation) (2)	\$ 34,856,687
Debt Limit (7 % of assessed value) (3)	<u>2,439,968</u>
Debt applicable to limit:	
General obligation bonds	\$ 628,156
Less: Sewer bond exclusion	<u>(65,870)</u>
Total net debt applicable to limit	562,286
Legal debt margin	<u>\$ 1,877,682</u>

**Fiscal Year**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	\$ 2,051,587	\$ 2,119,906	\$ 2,192,622	\$ 2,224,702	\$ 2,239,737	\$ 2,241,906	\$ 2,261,150	\$ 2,294,474	\$ 2,353,716	\$ 2,439,968
Total net debt applicable to limit	<u>226,344</u>	<u>215,789</u>	<u>210,989</u>	<u>214,891</u>	<u>221,209</u>	<u>256,296</u>	<u>326,390</u>	<u>485,500</u>	<u>548,031</u>	<u>562,286</u>
Legal debt margin	<u>\$ 1,825,243</u>	<u>\$ 1,904,117</u>	<u>\$ 1,981,633</u>	<u>\$ 2,009,811</u>	<u>\$ 2,018,528</u>	<u>\$ 1,985,610</u>	<u>\$ 1,934,760</u>	<u>\$ 1,808,974</u>	<u>\$ 1,805,685</u>	<u>\$ 1,877,682</u>
Total net debt applicable to the limit as a percentage of debt limit	11.03%	10.18%	9.62%	9.66%	9.88%	11.43%	14.43%	21.16%	23.28%	23.04%

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.

Sources:

Property value - Erie County Division of Budget, Management and Finance  
 Indebtedness and exclusions - Erie County Comptroller's Office  
 Erie County General Purpose Financial Statements 1997-2001  
 Erie County Basic Financial Statements 2002-2006

COUNTY OF ERIE, NEW YORK  
Pledged-Revenue Coverage  
Last Seven Fiscal Years  
(amounts expressed in thousands)

<b>Tobacco Securitization Asset Backed Bonds</b>												
<b>Fiscal Year</b>	<b>Tobacco Settlement Revenue</b>	<b>Interest Earnings</b>	<b>Bond Proceeds Restricted for Future Debt Service</b>	<b>Operating Transfer-Out</b>	<b>Carry-forward of Prior Year Fund Balance Restricted for Future Debt Service</b>	<b>Net Proceeds of Refunding Bonds</b>	<b>Less: Operating Expenses</b>	<b>Net Available Resources</b>	<b>Debt Service</b>		<b>Coverage</b>	
									<b>Principal</b>	<b>Interest</b>		
2000	\$ 5,423	\$ 377	\$ 25,046					\$ 30,846				
2001	15,257	1,687		\$ (200)	\$ 30,846			47,590	\$	12,047	3.95	
2002	15,477	1,520		(200)	35,543			52,340	\$	2,495	15,490	2.91
2003	14,035	1,456		(200)	34,355	\$	(10)	49,636	2,900		15,336	2.72
2004	17,602	1,506		(200)	31,400		(3)	50,305			15,958	3.15
2005	17,850	6,412		(56,718)	34,347	\$	40,316	(9)	42,198	1,070	21,715	1.85
2006	16,331	1,207	17,233	(15,738)	19,413			(62)	38,384	1,725	16,697	2.08

Notes:

(1) The year ended December 31, 2000, was the first year that ETASC was in existence. The year ended December 31, 2004, was the first year the County's financial statements were prepared in accordance with Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations Are Component Units." As such, only seven years of data is presented.

Source: ETASC Financial Statements 2000-2006

COUNTY OF ERIE, NEW YORK  
 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
1997	942,832	\$ 22,907,046	\$ 24,296	169,593	5.1%
1998	933,702	23,855,152	25,549	169,372	5.1%
1999	925,957	22,648,908	24,460	168,938	5.2%
2000	950,265	26,486,736	27,873	167,610	4.2%
2001	946,209	26,926,270	28,457	165,265	4.7%
2002	942,794	27,260,889	28,915	163,323	5.5%
2003	941,293	28,484,467	30,261	158,748	5.8%
2004	936,318	29,825,474	31,854	155,411	5.7%
2005	930,703	30,749,496	33,039	152,169	5.1%
2006	921,390	N/A	N/A	150,174	4.9%

Note:  
 N/A = Not available

Sources:  
 Population: The 1997 to 1999 and 2001 to 2006 estimates were compiled by the New York State Department of Commerce and the New York State Department of Economic Development, respectively, using data provided by the United States Bureau of the Census. 2000 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 New York State Department of Commerce.

School Enrollment: New York State Education Department, Information Center on Education. School enrollment data represents the 1997-98 to 2006-2007 school years.

Unemployment Rate: New York State Department of Labor

COUNTY OF ERIE, NEW YORK  
Principal Employers  
Current Year and Nine Years Ago

<u>Employer</u>	<u>2006</u>			<u>1997</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
State of New York	16,508	1	3.68%	11,292	2	2.51%
U.S. Government	10,000	2	2.23%	13,000	1	2.89%
Kaleida Health	9,500	3	2.12%			
City of Buffalo	8,218	4	1.83%	10,237	3	2.28%
HSBC Bank USA, N.A.(previously Marine Midland Bank, N.A)	5,867	5	1.31%	4,499	7	1.00%
Catholic Health System	4,832	6	1.08%			
Employer Services Corp.	4,650	7	1.04%			
County of Erie (1)	4,610	8	1.03%	6,177	4	1.37%
M & T Bank	4,422	9	0.98%	3,332	10	0.74%
Catholic Diocese of Buffalo	4,000	10	0.89%	4,500	6	1.00%
Buffalo General Health System				4,998	5	1.11%
Tops Markets Inc.				4,409	8	0.98%
General Motors Corporation				4,300	9	0.96%
Total	<u>72,607</u>		<u>16.17%</u>	<u>66,744</u>		<u>14.84%</u>

Note:

(1) Represents filled full-time positions excluding positions for Erie Community College.

Sources:

Erie County employment - Erie County Division of Budget, Management and Finance

All other employer data - Business First - Book of Lists

Total employed within Erie County - NYS Department of Labor

COUNTY OF ERIE, NEW YORK  
Full-time County Government Employees by Function (1)  
December 31, 2006

<b><u>Function</u></b>	<b><u>Full-time Employees</u></b>
General government support	784
Public safety	1,252
Health	345
Transportation	152
Economic assistance and opportunity	1,638
Culture and recreation	138
Education	38
Home and community service	<u>263</u>
Total	<u><u>4,610</u></u>

Note:

(1) Excludes Erie Community College.

Source: Erie County Comptroller's Office

COUNTY OF ERIE, NEW YORK  
 Operating Indicators by Function/Program  
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government support										
Major construction projects successfully completed	25	25	26	25	27	31	30	33	20	8
Automobile registrations processed by County Clerk	517,469	525,000	391,073	310,761	306,816	321,624	322,000	317,489	202,071	213,903
Cases prosecuted by the District Attorney's Office	51,758	49,975	50,263	48,968	56,255	57,569	54,838	50,895	53,015	55,010
Public safety										
Sheriff's calls for service	79,508	75,443	72,721	71,596	66,137	66,000	65,083	66,850	62,909	77,257
Vehicle and traffic arrests	11,601	13,474	11,976	12,464	14,212	15,250	12,950	13,963	7,410	7,694
Inmate population-Holding Center (average per day)	1,099	866	877	832	561	599	547	594	562	605
Inmate population-Correctional Facility (average per day)	674	747	772	756	803	911	873	925	917	924
Probation cases-supervised	7,843	7,367	6,145	8,617	8,162	8,482	8,486	7,803	9,200	8,778
Fire personnel trained	5,200	6,000	6,500	7,200	6,000	6,200	6,800	6,800	6,800	7,200
Health										
Patient visits - pediatric care	9,465	8,595	7,810	7,422	7,367	6,028	5,377	5,219	3,528	3,013
Persons served by Mental Health agencies (per month)	26,515	32,231	34,047	33,898	33,819	33,822	35,195	31,881	30,096	34,431
Transportation										
Bridges Inspected	N/A	282	150	282	78	220	71	240	85	244
Miles of roads receiving surface treatment	N/A	86	110	110	110	47	140	100	120	125
Economic assistance and opportunity										
Home Energy Assistance Program payments processed	70,614	69,154	69,550	105,200	136,397	105,200	113,200	116,575	138,777	135,000
Number of clients enrolled in Medicaid Managed Care Programs	48,275	48,395	58,050	64,300	60,800	62,529	69,935	72,485	73,047	73,412
Senior services home care to frail elderly (hours)	N/A	N/A	76,986	78,904	76,716	77,344	90,479	84,801	63,781	114,014
Culture and recreation										
Park attendance	1,360,384	1,326,741	1,214,790	1,376,153	1,622,300	1,415,246	1,459,370	1,667,156	824,476	1,758,528
Rounds of golf played	95,778	111,244	107,158	95,588	102,499	83,672	79,481	83,401	85,005	62,187
Education										
Children with special needs receiving service	2,714	2,881	3,012	3,191	3,384	3,664	4,231	4,666	5,263	5,392
Home and community service										
Sewer flow per day (millions of gallons)	43	38	36	42	39	45	41	44	43	N/A

Note:  
 N/A = Not available

Source:  
 Erie County Division of Budget, Management and Finance



COUNTY OF ERIE, NEW YORK  
 Capital Asset Statistics by Function  
 Last Five Fiscal Years (1)

<u>Function (2)</u>	<u>Fiscal Year</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public safety					
Emergency communication stations	2	2	1	1	1
Training centers operated by the County	3	3	3	3	3
Correctional facilities	1	1	1	1	1
Holding centers	1	1	1	1	1
Health					
Hospital	1	1	0	0	0
Home and Infirmary	1	1	0	0	0
Health Department clinics / in County-owned buildings	11 / 5	11 / 5	11 / 5	11 / 5	11 / 5
Transportation					
Miles of roads	1,172	1,200	1,200	1,200	1,180
Highway maintenance facilities	11	10	5	5	5
Culture and recreation					
Parks	19	19	19	19	19
Park Acreage	10,657	10,657	10,657	10,657	10,657
Golf Courses	2	2	2	2	2
Education					
Erie Community College campuses	3	3	3	3	3
Erie Community College full-time student headcount (3)	6,970	7,451	7,961	8,215	8,198
Erie Community College library volumes	160,605	159,408	149,039	139,757	145,174
Home and community service					
Miles of sanitary sewer	817	698	703	708	821
Miles of storm sewer	47	47	47	47	47
Pumping stations	79	77	77	77	94
Grinder pumps	430	453	462	462	462

Notes:

(1) The year ended December 31, 2002, was the first year the County's financial statements were prepared in accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." As such, only five years of data is presented.

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

(3) Average per semester

Source:

Various Erie County departments