

COUNTY OF ERIE
NEW YORK

Comprehensive Annual Financial Report



For the Year Ended December 31, 2007

MARK C. POLONCARZ

Erie County Comptroller

COUNTY OF ERIE, NEW YORK

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**For the Year Ended
December 31, 2007**

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

COUNTY OF ERIE, NEW YORK
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	i-vii
Summary of Elected Officials.....	viii
Organizational Chart.....	ix
GFOA Certificate of Achievement	x

FINANCIAL SECTION

Independent Auditors' Report	1-2
Management's Discussion and Analysis.....	3-12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of Statement of Net Assets to Governmental Fund Balances.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis of Accounting) - General Fund.....	21
Statement of Net Assets – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24-25
Statement of Fiduciary Net Assets – Fiduciary Fund	26
Notes to the Financial Statements	27-80
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	84-85
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	86-87
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis of Accounting):	
Road Special Revenue Fund	88
Sewer Special Revenue Fund	89
Downtown Mall Special Revenue Fund	90
E-911 Special Revenue Fund.....	91
Emergency Response Special Revenue Fund	92
Debt Service Fund	93

COUNTY OF ERIE, NEW YORK
TABLE OF CONTENTS (Concluded)
FOR THE YEAR ENDED DECEMBER 31, 2007

FINANCIAL SECTION (Concluded)

	<u>Page</u>
Combining and Individual Fund Statements and Schedules: (Concluded)	
Statement of Changes in Assets and Liabilities – Agency Fund.....	96
Library Component Unit:	
Balance Sheet - Component Unit	98
Reconciliation of Statement of Net Assets to Component Unit Fund Balance	99
Statement of Revenues, Expenditures and Changes in Fund Balance – Component Unit.....	100
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Component Unit to the Statement of Activities.	101
Other Component Units:	
Combining Statement of Net Assets – Other Component Units	104
Combining Statement of Activities – Other Component Units	105

STATISTICAL SECTION

Net Assets by Component – Last Six Fiscal Years	107
Changes in Net Assets - Last Six Fiscal Years.....	108-109
Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	110
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	111
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years	112
Assessed and Equalized Full Value of Taxable Property – Last Ten Fiscal Years.....	113
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years.....	114
Principal Taxpayers – Current Year and Nine Years Ago	115
Property Tax Levies and Collections – Last Ten Fiscal Years.....	116
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	117
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	118
Direct and Overlapping Government Activities Debt – As of December 31, 2007	119
Legal Debt Margin Information – Last Ten Fiscal Years.....	120
Pledged Revenue Coverage – Last Eight Fiscal Years.....	121
Demographic and Economic Statistics – Last Ten Calendar Years	122
Principal Employers – Current Year and Nine Years Ago.....	123
Full-time County Government Employees by Function – Last Four Fiscal Years	124
Operating Indicators by Function/Program – Last Ten Fiscal Years	125
Capital Asset Statistics by Function – Last Six Fiscal Years	126

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 30, 2008

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

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

Dear Honorable Members and County Executive Collins:

The Comprehensive Annual Financial Report (“CAFR”) of the County of Erie, New York, (the “County”) for the fiscal year ended December 31, 2007 is submitted in accordance with the requirements of Section 1202 (i) of the Erie County Charter.

INTRODUCTION

This report was prepared by the Erie County Comptroller's Office in conformance with current accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board (“GASB”) and the New York Office of the State Comptroller. 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.

The firm of Deloitte & Touche LLP, the County's independent auditor, has issued an unqualified (“clean”) opinion on the County's financial statements for the year ended December 31, 2007. The independent auditor's report is located at the front of the financial section of this report.

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

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 two component units Research for Health in Erie County, Inc. and ECMC Lifeline Foundation, Inc.; two 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.

ERIE COUNTY'S 2007 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 declare 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 2006, in association with the ECFSA-required four-year financial plan, the County Executive presented his 2007 Budget to the Legislature for action. On December 1, 2006, the County Legislature approved the 2007 Budget with slight amendments, and the County Executive declined to veto the amendments. The Adopted 2007 Budget did not increase the countywide property tax rate.

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. On January 11, 2007, citing a variety of factors, ECFSA declared both the County's four-year financial plan for 2007-2010 and the County's adopted 2007 budget to be out of balance. On January 22, 2007, the Office of Comptroller sent a letter to ECFSA taking issue with their declaration pertaining to the 2007 budget and expressing this office's belief that ECFSA's declaration of a 2007 budget deficit was erroneous. The General Fund reported a \$9.3 million surplus for the year-ended December 31, 2007.

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 three years. The County's unemployment rate was 4.6 percent in 2007, up from a historic low of 4.2 percent in 2000, but down from 5.0 percent in 2006, 5.3 percent in 2005 and 5.7 percent in 2004. Total non-farm employment was 541,000 in the Buffalo-Niagara Falls Metropolitan Statistical Area in 2007, down from 545,800 in 2006.

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 including 2007 demolition, construction and land clearing. Development of the Erie Canal Harbor area which is complete is expected to provide a huge beneficial impact to the region. This included the County's 2005 issuance of \$14 million of bonds 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 and 2007, the County's sales tax revenue reflected positive growth notwithstanding the County's new State Legislature-imposed requirement starting in 2007 to share an additional \$12.5 million of sales tax annually with local municipalities above the previous sharing agreements.

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 annual Medicaid cost has increased by more than \$63 million since 1999 to the 2007 amount of \$185.6 million. 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 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

The 2008 budget includes the following modest initiatives:

- To give priority to public safety, the budget includes new staff for Jail Management, Probation, and the Sheriff.
- 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.
- An additional County sponsor subsidy to the Erie Community College totaling approximately \$2 million.

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 above 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, 2007, were 1.31 percent and \$446 respectively, based on net general bonded debt of \$407,047,000.

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 past negative factors relating to the County's financial condition, including the County's past depletion of financial reserves. However, the County maintains a manageable debt position and retains access to the credit markets.

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, moneys 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 2007, the Comptroller's Office made a total of 3,059 investments, and the weighted average yield for such investments was 5.18 percent.

Risk Management

The County assumes the liability for most risk including, but not limited to, property damage, personal injury liability, medical malpractice and workers' compensation. 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

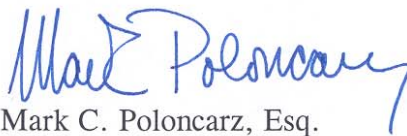
The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report (“CAFR”) for the fiscal year ended December 31, 2006. In order to be awarded a Certificate 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

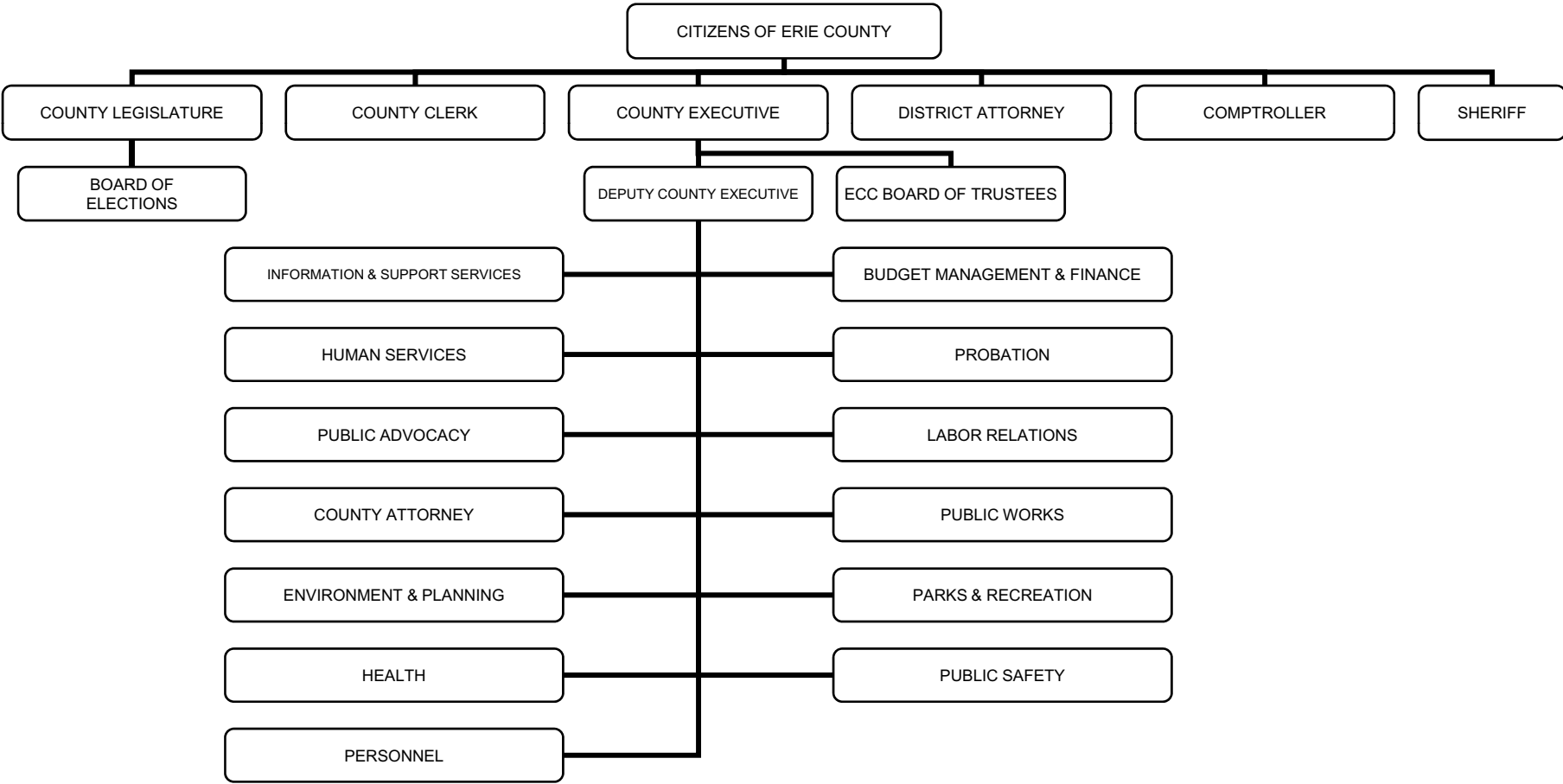
COUNTY OF ERIE, NEW YORK
SUMMARY OF ELECTED OFFICIALS
December 31, 2007

COUNTY CLERK	COUNTY EXECUTIVE	DISTRICT ATTORNEY	SHERIFF	COUNTY COMPTROLLER
Kathleen C. Hochul	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	Barbara A. Miller-Williams	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	Betty Jean Grant	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, 2006

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.



Chas S. Cox

President

Jeffrey R. Emer

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



Deloitte & Touche LLP
Key Bank Tower, Ste 250
50 Fountain Plaza
Buffalo, NY 14202
USA

Tel: +1 716 843 7200
Fax: +1 716 856 7760
www.deloitte.com

Honorable County Executive
Honorable County Comptroller
Members of the County Legislature
County of Erie, NY

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, 2007, 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 3.2% and 5.8%, 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 3.9% and 24.3%, 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 respective 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 also includes examining on a test basis, evidence supporting the amounts and disclosures in the respective 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 aggregate remaining fund information of the County as of December 31, 2007, 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 XII, the County has adopted the provisions of Governmental Accounting Standards Board Statement ("GASB") No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pension*. Also, as discussed in Note I, the County has adopted the provisions of GASB No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

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 stated 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.



June 27, 2008

COUNTY OF ERIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

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, 2007, and incorporates financial information from the year ended December 31, 2006 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 2007 fiscal year by \$29,039 (*net assets*). This consists of \$23,071 restricted for specific purposes (*restricted net assets*), \$339,751 invested in capital assets, net of related debt, and a deficit in unrestricted net assets of \$333,784, at December 31, 2007.
- The primary government's total net assets decreased by \$34,628. Governmental activities decreased the County's net assets by \$26,525. Business type activities decreased the County's net assets by \$8,103.
- As of December 31, 2007, the County's governmental funds reported combined fund balances of \$143,130, a decrease of \$24,767 in comparison with the prior year. Approximately 51.7% of the total combined governmental funds fund balance, \$73,944, 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 \$35,250 or 74.1% of the total general fund fund balance of \$47,541. Total unreserved designated general fund fund balance was \$2,289 at December 31, 2007.
- The total bonded debt of the primary government decreased by \$38,624 or 4.8% 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, 2007

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 ECFSA also imposed a hiring freeze and a contract review process. Since that initial declaration of a control period, ECFSA declared control periods for the County in fiscal years 2007 and 2008.

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, 2007

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, 2007

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 \$29,039 at the close of the most recent fiscal year.

Summary of Erie County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 427,368	\$ 505,927	\$ 35,917	\$ 34,654	\$ 463,285	\$ 540,581
Capital Assets	<u>798,082</u>	<u>804,164</u>	<u>7,930</u>	<u>6,653</u>	<u>806,012</u>	<u>810,817</u>
Total assets	<u>1,225,450</u>	<u>1,310,091</u>	<u>43,847</u>	<u>41,307</u>	<u>1,269,297</u>	<u>1,351,398</u>
Long-term liabilities	933,048	927,319	16,554	5,856	949,602	933,175
Other liabilities	<u>269,805</u>	<u>333,650</u>	<u>20,851</u>	<u>20,906</u>	<u>290,656</u>	<u>354,556</u>
Total liabilities	<u>1,202,853</u>	<u>1,260,969</u>	<u>37,405</u>	<u>26,762</u>	<u>1,240,258</u>	<u>1,287,731</u>
Net assets:						
Invested in capital assets, net of related debt	331,821	343,309	7,930	6,653	339,751	349,962
Restricted	23,071	23,246			23,071	23,246
Unrestricted	<u>(332,295)</u>	<u>(317,433)</u>	<u>(1,488)</u>	<u>7,892</u>	<u>(333,783)</u>	<u>(309,541)</u>
Total net assets	<u>\$ 22,597</u>	<u>\$ 49,122</u>	<u>\$ 6,442</u>	<u>\$ 14,545</u>	<u>\$ 29,039</u>	<u>\$ 63,667</u>

A significant portion of the County's net assets, at December 31, 2007, \$339,751 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, \$23,071, 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 \$333,783, 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 in one category for its business-type activities. Governmental and business-type activities have unrestricted net asset deficits of \$332,295 and \$1,488 respectively at December 31, 2007.

The County's net assets decreased by \$34,628 during the 2007 fiscal year, as further explained in the next section.

COUNTY OF ERIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

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	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues						
Charges for services	\$ 76,345	\$ 75,130	\$ 74,232	\$ 76,956	\$ 150,577	\$ 152,086
Operating grants and contributions	441,098	476,963	30,387	30,471	471,485	507,434
Capital grants and contributions	6,480	9,041			6,480	9,041
General revenues						
Property taxes	223,866	212,177			223,866	212,177
Sales and use taxes	656,674	365,087			656,674	365,087
Transfer taxes	11,576	10,720			11,576	10,720
State and local appropriations			30,233	27,894	30,233	27,894
Non-operating revenue						
Interest earnings not restricted to specific programs						
Unrestricted interest earnings	7,643	7,268	1,128	955	8,771	8,223
Miscellaneous and other	14,121	14,643			14,121	14,643
Total revenues	<u>1,437,803</u>	<u>1,171,029</u>	<u>135,980</u>	<u>136,276</u>	<u>1,573,783</u>	<u>1,307,305</u>
Expenses:						
General government	425,037	86,640			425,037	86,640
Public safety	117,687	128,222			117,687	128,222
Health	84,283	110,413			84,283	110,413
Transportation	61,088	60,742			61,088	60,742
Economic assistance and opportunity	574,163	541,220			574,163	541,220
Culture and recreation	21,181	20,278			21,181	20,278
Education	67,157	67,310			67,157	67,310
Home and community service	52,365	82,954			52,365	82,954
Interest and fiscal charges	45,938	49,878			45,938	49,878
College			112,765	99,723	112,765	99,723
Utilities Aggregation			46,747	50,971	46,747	50,971
Total expenses	<u>1,448,899</u>	<u>1,147,657</u>	<u>159,512</u>	<u>150,694</u>	<u>1,608,411</u>	<u>1,298,351</u>
Excess (deficiency) before transfers	(11,096)	23,372	(23,532)	(14,418)	(34,628)	8,954
Transfers	<u>(15,429)</u>	<u>(17,288)</u>	<u>15,429</u>	<u>15,429</u>	<u>0</u>	<u>(1,859)</u>
Change in net assets	(26,525)	6,084	(8,103)	1,011	(34,628)	7,095
Net assets - beginning	<u>49,122</u>	<u>43,038</u>	<u>14,545</u>	<u>13,534</u>	<u>63,667</u>	<u>56,572</u>
Net assets - ending	<u>\$ 22,597</u>	<u>\$ 49,122</u>	<u>\$ 6,442</u>	<u>\$ 14,545</u>	<u>\$ 29,039</u>	<u>\$ 63,667</u>

COUNTY OF ERIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concluded)

Governmental activities

Governmental activities decreased the County's net assets by \$26,525 or 54.0%. Revenues and expenses increased by \$266,774 (22.8%) and \$291,242 (25.4%) respectively, and transfers out decreased \$1,859 from 2006 to 2007. Key elements of this decrease are as follows:

- The \$291,587 (79.9%) increase in the sales and use taxes category was primarily the result of recording the receipt of \$263,386 in sales tax revenues ultimately disbursed to local municipalities and school districts. In 2007 these amounts were budgeted in the General Fund for the first time as a result of an accounting prescription published by the New York State Comptroller's Office. Previously these amounts were recorded in the Agency Fund. The remaining increase was attributed to sales tax growth (\$26,194) due in part to higher than expected fuel prices and a surge in local sales to Canadian consumers taking advantage of the stronger Canadian dollar.
- Revenue from property taxes increased by \$11,689 (5.5%). Increases to the total tax levy (\$13,878) accounted for most of the increase.
- Operating grants and contributions decreased by \$35,865 (7.5%) during the year. Most of this decrease (\$34,461) was a result of the change in 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.
- General government expense increased by \$338,397 primarily as a result of (1) recording the disbursement of \$263,386 in sales tax revenue to local municipalities and school districts referred to above; (2) the County's implementation of GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* that resulted in an additional \$49,613 expense for other post-employment benefits (OPEB); and (3) the disbursement of \$12,500 as aid to local municipalities and school districts as the result of a new sales and compensating use tax sharing arrangement enacted for the first time in 2007.
- Expenses for health decreased by \$26,130 (23.7%) compared to 2006 amounts. The County incurred \$27,405 in expenses for capital assets purchased for or being constructed for the ECMCC component unit below the 2006 amount. These capital assets are owned by ECMCC and reported in their financial statements.
- Home and community services expenses decreased by \$30,589 (36.9%) primarily as a result of a \$33,476 decrease in clean-up expenses, reimbursed by FEMA, incurred as a result of the major October 2006 snow storm.

Business-type activities

Business-type activities decreased the County's net assets by \$8,103 compared to an increase of \$1,011 in 2006. The College generated a decrease in net assets of \$8,261 and an increase in net assets of \$622 for the years ended August 31, 2007 and 2006, respectively. The operating loss at August 31, 2007 exceeded that at August 31, 2006 by \$11,367 as operating revenues generated increased \$1,647 but operating expenses increased \$13,014. Revenues generated during the fiscal year ended August 31, 2007 for student tuition and fees increased as a result of an increased enrollment. The County sponsorship share of support to the College for the College's fiscal year ended August 31, 2007 was \$15,429 and is reported as a 2007 operating transfer to the College from the County's General (\$13,570) and Special Capital (\$1,859) funds.

COUNTY OF ERIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

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'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, 2007, the County's governmental funds reported combined fund balances of \$143,130, a decrease of \$24,767 in comparison with the prior year. Approximately 51.7% of the combined fund balances, \$73,944, 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 (\$21,895); (2) to pay debt service (\$36,222); (3) to reflect prepaid items and loans that are long-term in nature and thus do not represent available spendable resources (\$5,270); and (4) for a variety of other restricted purposes (\$5,799).

The General Fund is the chief operating fund of the County. At December 31, 2007, unreserved fund balance of the General Fund was \$35,250 while total fund balance was \$47,541. 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 4.1% of that same amount.

Fund Balance in the County's General Fund increased by \$9,308 during the 2007 fiscal year compared to 2006 when the General Fund experienced an increase of \$23,825. Key factors in this \$14,517 change were as follows:

- Revenues from real property taxes increased by \$9,670 due an increase in the property tax levy.
- Sales and use taxes revenue increased by \$277,159 primarily as a result of recording the receipt of the \$263,386 in sales tax revenues as described in the governmental activities section above, and \$12,500 of the total sales tax growth that were both ultimately disbursed to local municipalities and school districts. An offsetting expenditure for the same amount is reported in the general government support expenditure category. The remaining increase of \$1,273 was due to increases in hotel occupancy tax collections (\$813), video lottery terminal aid (\$395) and off-track pari-mutuel tax (\$65).
- Interest revenue increased by 15.6% or \$945 due to an increase in the interest rates available to the County.

The revenue items noted above were offset by the following expenditure changes:

- Total expenditures increased by \$298,545 (34.8%) primarily due to the recording of \$263,386 in general government support expenditures for sales and use tax as referred to above; additional disbursements to local municipalities and school districts as a result of a new sales and use tax sharing arrangement enacted in 2007 (\$12,500); and increased Economic Assistance and Opportunity expenditures (\$31,303) primarily for contractual services, interdepartmental billings and social services program costs.

The Road Special Revenue Fund, an other governmental fund of the County, reported a deficit fund balance of \$3,165 at December 31, 2007. At December 31, 2006, the ending deficit fund balance was \$2,750. The Special Capital Projects Fund ended 2007 with a \$140 deficit fund balance that was mostly attributable to a \$251 receivable write-off. Future revenues or transfers are expected to remediate the deficit fund balances.

COUNTY OF ERIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Concluded)

The County's E-911 Special Revenue Fund increased by \$1,639 during the year over the fiscal 2006 ending balance. A one-time State Aid grant of (\$1,445) accounted for most of the increase.

The County's Buildings, Equipment and Improvements fund balance decreased by \$14,660 during the year (41.2%). The primary factor creating this decrease was that yearly capital outlay (\$19,574) exceeded intergovernmental and other revenues by \$17,532. There were no general obligation bonds issued for this fund during 2007.

The County's Highways, Roads, Bridges and Equipment Fund ending fund balance decreased by \$9,087 (69.9%) over the previous fiscal year ending balance. During the year, expenditures exceeded revenues by \$9,687. Transfers-in amounted to \$600. There were no general obligation bonds issued for this fund during 2007.

The Tobacco Proceeds fund balance decreased by \$2,875 (69.1%) to a year end balance of \$1,284 as a result of transfers out to fund capital project expenditures in other capital project funds.

The Special Capital Projects Fund decreased by \$2,245 (106.7%) mainly as a result of \$1,859 transferred out to fund capital improvement projects at ECC.

The ECMCC Capital Projects Fund decreased by \$9,429 (59.5%) mainly as a result of \$8,154 expended 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 deficit unrestricted net assets of \$3,250 at August 31, 2007.

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 8/31/2007	Utilities Aggregation	Total
Operating revenues	\$ 57,714	\$ 46,905	\$ 104,619
Operating expenses	<u>112,704</u>	<u>46,747</u>	<u>159,451</u>
Operating loss	(54,990)	158	(54,832)
Non-operating revenues , net	<u>31,300</u>		<u>31,300</u>
Net (loss) income before contributions and transfers	(23,690)	158	(23,532)
Transfers	<u>15,429</u>		<u>15,429</u>
Change in net assets	<u>\$ (8,261)</u>	<u>\$ 158</u>	<u>\$ (8,103)</u>

The net loss before contributions and transfers of enterprise funds of \$23,532 is comprised of a net loss of \$23,690 for the College and net income of \$158 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, 2007

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 \$352,235 decrease in total budgeted revenues between the original and final budget. The main component of the net decrease is the reclassification of \$368,696 from the 'Sales and Use Taxes' line to the 'Transfers In' line to match sales tax transfers received from the ECFSA which intercepts the County portion of sales tax remitted by the New York State Department of Taxation and Finance.

The budget for Other Financing Sources was increased during the year by \$369,088, primarily for the Sales and Use Taxes reclassification referred to in the previous paragraph, and an additional \$392 for the sale of property.

Budgeted appropriations and Other Financing Uses increased by \$20,294. Budgeted expenditures increased in Public Safety (\$21,354) and Health (\$14,224), primarily for reclassifications of fringe benefits from General Government Support; and Economic Assistance and Opportunity (\$33,827), primarily for reclassifications of fringe benefits from General Government Support (\$27,735) and for mandated disproportionate share program payments for the benefit of ECMCC (\$8,874). These increases were partially offset by budgeted expenditure decreases in General Government Support (\$56,581), due to reclassifications in the County-wide fringe benefit accounts to other functions (\$70,275) net of increases for sales tax to other municipalities (\$8,285) and risk retention (\$5,331). The total favorable budget to actual variance for the year amounted to \$11,139.

For the year, actual revenues were less than budget by \$12,537. A negative budgetary variance in intergovernmental revenue amounted to \$21,905 mostly as a result of reduced reimbursable expenditures for social services (\$14,809) and mental health (\$3,832) programs. Sales and use taxes were \$9,380 higher than budgeted due to a higher than expected increase in taxable sales. Interest income exceeded budget by \$1,658 as a result of higher than expected interest rates. Miscellaneous revenue also experienced a positive variance (\$4,326).

Actual expenditures were less than budget by \$22,719 primarily due to savings in the General Government Support (\$8,473), Health (\$5,845) and Education (\$2,909) categories for salaries and fringe benefits, contractual payments and children with special needs programs 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, 2007, amounted to \$806,012 (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 transportation network assets of \$26,066. Depreciation on buildings and improvements exceeded additions by \$12,530.

COUNTY OF ERIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

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	
	2007	2006	2007	2006	2007	2006
Land	\$ 29,994	\$ 28,870	\$	\$	\$ 29,994	\$ 28,870
Buildings and Improvements	272,812	284,740	1,222	620	274,034	285,360
Improvements other than Buildings	16,594	11,833	56	59	16,650	11,892
Sewer and Transportation Networks	410,299	400,113			410,299	400,113
Machinery and Equipment	47,016	48,040	4,085	4,288	51,101	52,328
Library Collections			1,298	1,317	1,298	1,317
Construction in Progress	<u>21,367</u>	<u>30,568</u>	<u>1,269</u>	<u>369</u>	<u>22,636</u>	<u>30,937</u>
Total	\$ <u>798,082</u>	\$ <u>804,164</u>	\$ <u>7,930</u>	\$ <u>6,653</u>	\$ <u>806,012</u>	\$ <u>810,817</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, 2007, the primary government had total bonded debt outstanding of \$806,121 as compared to \$844,745 in the prior year. During the year, payments and other reductions of debt amounted to \$44,122. Additions, accretions and other adjustments amounted to \$5,498.

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 \$2,556,622, which is only 20.5% exhausted by the County's outstanding general obligation debt of \$524,913 (which includes a \$101,375 bond guaranty to ECMCC).

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).

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

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.

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF ERIE, NEW YORK
Statement of Net Assets
December 31, 2007
(amounts expressed in thousands)

	Primary Government			Component Units		
	Governmental Activities	Business - Type Activities	Total	Library	ECMCC	Other
ASSETS						
Cash and cash equivalents	\$ 94,324	\$ 24,476	\$ 118,800	\$ 8,927	\$ 31,770	\$ 1,199
Investments	21,182		21,182		73,453	1,864
Restricted cash and cash equivalents					65,636	
Receivables (net of allowances)	299,198	11,061	310,259	664	56,026	111
Due from primary government					4,815	
Due from component unit	1,640	2,415	4,055			
Internal balances	3,077	(2,035)	1,042			
Inventories					4,985	36
Prepaid items	3,784		3,784		1,318	2
Other assets	4,163		4,163		3,060	1,300
Capital assets						
Land, rare books and construction in progress	51,361	1,269	52,630	10,962	605	
Other capital assets, net of depreciation	746,721	6,661	753,382	6,407	74,320	722
Total assets	1,225,450	43,847	1,269,297	26,960	315,988	5,234
LIABILITIES						
Accounts payable	61,585	6,730	68,315	718	19,546	167
Accrued liabilities	84,870	4,194	89,064	1,127	61,597	1,298
Due to component unit	4,815		4,815			
Due to primary government					4,055	
Unearned revenue	40,582	9,927	50,509	1,183		55
Short-term debt	77,953		77,953			
Long-term liabilities						
Due within one year	71,397	2,996	74,393	940		
Due in more than one year	861,651	13,558	875,209	3,254	125,109	
Total liabilities	1,202,853	37,405	1,240,258	7,222	210,307	1,520
NET ASSETS						
Invested in capital assets, net of related debt	331,821	7,930	339,751	17,369	(5,951)	
Restricted for:						
Capital projects	132		132		28,111	
Debt service	20,860		20,860		9,593	
Other purposes	2,079		2,079		345	1,868
Unrestricted	(332,295)	(1,488)	(333,783)	2,369	73,583	1,846
Total net assets	\$ 22,597	\$ 6,442	\$ 29,039	\$ 19,738	\$ 105,681	\$ 3,714

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK
Statement of Activities
For the year ended December 31, 2007
(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	\$ 425,037	\$ 19,521	\$ 23,663	\$ 2,021	\$ (379,832)	\$	\$ (379,832)	\$	\$	\$
Public safety	117,687	9,600	12,409		(95,678)		(95,678)			
Health	84,283	3,506	54,043		(26,734)		(26,734)			
Transportation	61,088		6,657	4,459	(49,972)		(49,972)			
Economic assistance and opportunity	574,163	29,495	275,326		(269,342)		(269,342)			
Culture and recreation	21,181	3,265	1,251		(16,665)		(16,665)			
Education	67,157	95	37,403		(29,659)		(29,659)			
Home and community service	52,365	10,863	21,333		(20,169)		(20,169)			
Interest and fiscal charges	45,938		9,013		(36,925)		(36,925)			
Total governmental activities	1,448,899	76,345	441,098	6,480	(924,976)		(924,976)			
Business-type activities:										
Community College (August 31, 2007)	112,765	27,327	30,387			(55,051)	(55,051)			
Nonmajor fund	46,747	46,905				158	158			
Total business-type activities	159,512	74,232	30,387	0		(54,893)	(54,893)			
Total primary government	\$ 1,608,411	\$ 150,577	\$ 471,485	\$ 6,480	(924,976)	(54,893)	(979,869)			
Component unit:										
Library	\$ 27,205	\$ 884	\$ 3,523	\$				(22,798)		
ECMCC	357,058	337,774	14,411	6,698					1,825	
Other component units	3,759	2,934	1,001							176
Total component units	\$ 388,022	\$ 341,592	\$ 18,935	\$ 6,698				(22,798)	1,825	176
General revenues:										
Property taxes levied for mall, sewer, and general purposes					223,866		223,866			
Property taxes levied for library								22,172		
Sales and use taxes					656,674		656,674			
Transfer taxes					11,576		11,576			
Unrestricted state and local appropriations						30,233	30,233			
Interest earnings not restricted to specific programs								72	6,411	
Unrestricted interest earnings					7,643	1,128	8,771			151
Miscellaneous					13,200		13,200	158	29,658	
Gain on sale of capital assets					921		921			
Transfers					(15,429)	15,429				
Total general revenues and transfers					898,451	46,790	945,241	22,402	36,069	151
Change in net assets					(26,525)	(8,103)	(34,628)	(396)	37,894	327
Net assets - beginning					49,122	14,545	63,667	20,134	67,787	3,387
Net assets - ending	\$	\$	\$	\$	22,597	6,442	29,039	\$ 19,738	\$ 105,681	\$ 3,714

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK
Balance Sheet
Governmental Funds
December 31, 2007
(amounts expressed in thousands)

	General	ECFSA General	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 121	\$ 539	\$ 93,664	\$ 94,324
Investments			21,182	21,182
Receivables (net of allowances)				
Real property taxes, interest, penalties and liens	46,134		4,985	51,119
Other	6,226		25,975	32,201
Due from other funds	83,299		1,010	84,309
Due from component unit	1,640			1,640
Due from other governments	129,722	47,088	37,518	214,328
Prepaid items	3,720	9	55	3,784
Loan receivable	1,550			1,550
Total assets	\$ 272,412	\$ 47,636	\$ 184,389	\$ 504,437
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 15,886	\$ 18	\$ 14,841	\$ 30,745
Accrued liabilities	62,880	19	6,609	69,508
Due to other funds	47	47,088	34,097	81,232
Due to component unit	2,860			2,860
Due to other governments	29,297		9	29,306
Retained percentages payable	14		1,520	1,534
Unearned revenue	11,381		29,201	40,582
Deferred revenue	27,506		81	27,587
Short-term debt	75,000		2,953	77,953
Total liabilities	224,871	47,125	89,311	361,307
Fund Balances				
Reserved for:				
Encumbrances	6,566		15,329	21,895
Debt service			36,222	36,222
Loan receivable	1,550			1,550
Prepaid items	3,720			3,720
Repairs			3,383	3,383
E-911 system costs			1,961	1,961
Handicapped parking	118			118
Law enforcement	337			337
Unreserved, reported in:				
General fund				
Designated	2,289			2,289
Undesignated	32,961			32,961
Special revenue funds				
Designated			5,505	5,505
Undesignated		511	2,401	2,912
Capital projects fund				
Designated			1,449	1,449
Undesignated			28,828	28,828
Total fund balances	47,541	511	95,078	143,130
Total liabilities and fund balances	\$ 272,412	\$ 47,636	\$ 184,389	\$ 504,437

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, 2007
 (amounts expressed in thousands)

	<u>Governmental Activities</u>
Total Governmental Fund Balances	\$ 143,130
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.	798,082
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	30,587
Due from a component unit was available to pay for current-period expenditures and previously was 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.	4,163
Due to a component unit was deemed to be not due and payable in the current period and therefore not reported in the funds.	(1,955)
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	\$ (15,362)
Compensated absences	(22,224)
Retirement	(12,691)
Judgments and claims	(42,399)
Other postemployment benefits (OPEB)	(49,613)
Unamortized bond premium	(20,729)
Bonds payable	<u>(785,392)</u>
Net assets of governmental activities	<u>\$ 22,597</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, 2007

(amounts expressed in thousands)

	General	ECFSA General	Other Governmental Funds	Total Governmental Funds
Revenues:				
Real property taxes and tax items	\$ 185,733	\$	\$ 27,391	\$ 213,124
Sales and use taxes	284,438	368,696	3,540	656,674
Transfer taxes			11,576	11,576
Intergovernmental	321,104	1,087	118,531	440,722
Interfund revenues			177	177
Departmental	62,507		13,582	76,089
Interest	6,989	654	7,031	14,674
Miscellaneous	9,102		1,469	10,571
Total revenues	<u>869,873</u>	<u>370,437</u>	<u>183,297</u>	<u>1,423,607</u>
Expenditures:				
Current:				
General government support	360,307	536	7,449	368,292
Public safety	102,427		15,010	117,437
Health	62,095		11,260	73,355
Transportation	20,621		21,134	41,755
Economic assistance and opportunity	519,517		50,498	570,015
Culture and recreation	18,570		475	19,045
Education	65,146		377	65,523
Home and community service	2,351		45,847	48,198
Capital outlay			48,038	48,038
Debt service:				
Principal retirement			43,427	43,427
Interest and fiscal charges	4,279		39,921	44,200
Total expenditures	<u>1,155,313</u>	<u>536</u>	<u>283,436</u>	<u>1,439,285</u>
(Deficiency) excess of revenues over expenditures	<u>(285,440)</u>	<u>369,901</u>	<u>(100,139)</u>	<u>(15,678)</u>

COUNTY OF ERIE, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2007
(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			5,374	5,374
Sale of property	965		1	966
Transfers in	368,735		73,333	442,068
Transfers out	(74,952)	(369,783)	(12,762)	(457,497)
Total other financing sources (uses)	<u>294,748</u>	<u>(369,783)</u>	<u>65,946</u>	<u>(9,089)</u>
Net change in fund balances	9,308	118	(34,193)	(24,767)
Fund balances at beginning of year	<u>38,233</u>	<u>393</u>	<u>129,271</u>	<u>167,897</u>
Fund balances at end of year	<u>\$ 47,541</u>	<u>\$ 511</u>	<u>\$ 95,078</u>	<u>\$ 143,130</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, 2007
 (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	\$	(24,767)
<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 \$373	\$ 41,674	
Depreciation	<u>(47,756)</u>	
Net adjustment		(6,082)
<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	\$ 10,742	
Deferred revenue-miscellaneous	429	
Due from component unit	<u>(3,000)</u>	
Total adjustment		8,171
<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>		
Principal retirement	43,427	
Principal retirement - Library component unit reimbursement	(208)	
Amortization of fiscal charges	<u>666</u>	
Total repayments	<u>43,885</u>	
Net adjustment		43,885
<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	4,399	
Interest on bonds	(2,404)	
Compensated absences	458	
Judgments and claims (Long term change only)	4,802	
Other postemployment benefits (OPEB)	<u>(49,613)</u>	
Net adjustment		(42,358)
Change in net assets of governmental activities	<u>\$</u>	<u>(26,525)</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, 2007
 (amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance Final Budget- Positive (Negative)
Revenues:				
Real property taxes and tax items	\$ 187,576	\$ 189,885	\$ 185,733	\$ (4,152)
Sales and use taxes	630,960	275,057	284,438	9,381
Intergovernmental	344,370	343,009	321,104	(21,905)
Departmental	63,998	64,352	62,507	(1,845)
Interest	5,976	5,331	6,989	1,658
Miscellaneous	1,765	4,776	9,102	4,326
Total revenues	<u>1,234,645</u>	<u>882,410</u>	<u>869,873</u>	<u>(12,537)</u>
Expenditures:				
Current:				
General government support	424,802	368,221	359,748	8,473
Public safety	83,640	104,994	103,177	1,817
Health	54,546	68,770	62,925	5,845
Transportation	20,082	20,621	20,621	
Economic assistance and opportunity	489,181	523,008	520,255	2,753
Culture and recreation	16,220	19,164	18,508	656
Education	67,149	68,055	65,146	2,909
Home and community service	2,084	2,530	2,263	267
Debt service:				
Interest and fiscal charges	4,279	4,279	4,279	
Total expenditures	<u>1,161,983</u>	<u>1,179,642</u>	<u>1,156,923</u>	<u>22,719</u>
Excess (deficiency) of revenues over expenditures	<u>72,662</u>	<u>(297,232)</u>	<u>(287,050)</u>	<u>10,182</u>
Other financing sources (uses):				
Issuance of general obligation debt				
Sale of property	150	542	965	423
Transfers in		368,696	368,735	39
Transfers out	(72,812)	(75,447)	(74,952)	495
Total other financing sources (uses)	<u>(72,662)</u>	<u>293,791</u>	<u>294,748</u>	<u>957</u>
(Deficiency) excess of revenue and other financing sources over expenditures and other financing uses	<u>\$ 0</u>	<u>\$ (3,441)</u>	<u>\$ 7,698</u>	<u>\$ 11,139</u>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK
Statement of Net Assets
Proprietary Funds
December 31, 2007
(amounts expressed in thousands)

	Business - Type Activities Enterprise Funds		
	Community College	Nonmajor Fund	Total
	August 31, 2007		
Assets			
Current Assets			
Cash	\$ 24,476	\$	\$ 24,476
Receivables (net of allowances)	4,387	997	5,384
Due from other funds	2,145	787	2,932
Due from component unit		2,415	2,415
Due from other governments		5,677	5,677
Total current assets	31,008	9,876	40,884
Noncurrent Assets			
Capital assets, net of depreciation			
Construction in progress	1,269		1,269
Other capital assets, net of depreciation	6,661		6,661
Total noncurrent assets	7,930	0	7,930
Total assets	38,938	9,876	48,814
Liabilities			
Current Liabilities:			
Accounts payable	1,302	5,428	6,730
Accrued liabilities	4,141	53	4,194
Due to other funds	2,334	2,633	4,967
Fringe benefits payable - current	2,996		2,996
Deferred revenue	9,927		9,927
Total current liabilities	20,700	8,114	28,814
Noncurrent Liabilities:			
Fringe benefits payable	3,857		3,857
Net OPEB obligation	9,701		9,701
Total noncurrent liabilities	13,558	0	13,558
Total liabilities	34,258	8,114	42,372
Net Assets			
Invested in capital assets	7,930		7,930
Unrestricted, reported in:			
Community College	(3,250)		(3,250)
Nonmajor Fund		1,762	1,762
Total net assets	\$ 4,680	\$ 1,762	\$ 6,442

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, 2007
(amounts expressed in thousands)

	Business - Type Activities Enterprise Funds		
	Community College August 31, 2007	Nonmajor Fund	Total
Operating Revenues:			
Student tuition and fees	\$ 25,928	\$	\$ 25,928
Intergovernmental revenues and charges	18,095	69	18,164
State and local contracts	12,292		12,292
Interfund revenues		9,871	9,871
Other operating revenue	1,399	36,965	38,364
Total operating revenue	<u>57,714</u>	<u>46,905</u>	<u>104,619</u>
Operating Expenses:			
Employee wages	57,084	47	57,131
Employee benefits	28,157	15	28,172
Scholarships	10,001		10,001
Supplies	12,576		12,576
Utilities and telephone	2,761	46,685	49,446
Depreciation	2,125		2,125
Total operating expenses	<u>112,704</u>	<u>46,747</u>	<u>159,451</u>
Operating (loss) income	(54,990)	158	(54,832)
Nonoperating revenues (expenses):			
Unrestricted state and local appropriations	30,233		30,233
Income from investments	1,128		1,128
Loss on disposal of plant assets	(61)		(61)
(Loss) income before transfers	<u>(23,690)</u>	<u>158</u>	<u>(23,532)</u>
Transfers in	15,429		15,429
Change in net assets	(8,261)	158	(8,103)
Total net assets-beginning	12,941	1,604	14,545
Total net assets-ending	<u>\$ 4,680</u>	<u>\$ 1,762</u>	<u>\$ 6,442</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, 2007
(amounts expressed in thousands)

	Business - Type Activities		
	Enterprise Funds		
	Community College August 31, 2007	Nonmajor Fund	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from students and utility customers	\$ 30,552	\$ 38,459	\$ 69,011
Payments to employees for services	(76,895)	(61)	(76,956)
Payments to suppliers for goods and services	(14,498)	(46,195)	(60,693)
Payments for scholarships	(10,001)		(10,001)
Federal, state and local grants	28,771		28,771
Internal activity - payments from other funds		11,463	11,463
Other operating revenues	(2,308)		(2,308)
Net cash (used in) provided by operating activities	<u>(44,379)</u>	<u>3,666</u>	<u>(40,713)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
County contribution	15,429		15,429
State appropriations	28,944		28,944
Municipal chargebacks	455		455
Advances to other funds		(3,666)	(3,666)
Net cash provided by (used in) non-capital financing activities	<u>44,828</u>	<u>(3,666)</u>	<u>41,162</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	(3,463)		(3,463)
Net cash used in capital financing activities	<u>(3,463)</u>	<u>0</u>	<u>(3,463)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	1,128		1,128
Net cash provided by investing activities	<u>1,128</u>	<u>0</u>	<u>1,128</u>
NET DECREASE IN CASH	(1,886)	0	(1,886)
Cash, beginning of year	<u>26,362</u>		<u>26,362</u>
Cash, end of year	<u>\$ 24,476</u>	<u>\$ 0</u>	<u>\$ 24,476</u>

(Continued)

COUNTY OF ERIE, NEW YORK
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2007
(amounts expressed in thousands)

	Business - Type Activities		
	Enterprise Funds		
	Community College August 31, 2007	Nonmajor Fund	Total Funds
Reconciliation of operating (loss) income to net cash used by operating activities			
Operating (loss) income	\$ (54,990)	\$ 158	\$ (54,832)
Adjustments to reconcile operating (loss) income to net cash used by operating activities:			
Depreciation expense	2,125		2,125
Increase in assets:			
Receivables, net	(1,104)	489	(615)
Due from other funds		1,367	1,367
Due from component unit		2,078	2,078
Due from other governments		(921)	(921)
Prepaid items		117	117
Increase in liabilities:			
Accounts and other payables	436	2,153	2,589
Accrued expenses	8,749	(1,775)	6,974
Other long-term liabilities	405		405
Net cash provided (used) by operating activities	<u>\$ (44,379)</u>	<u>\$ 3,666</u>	<u>\$ (40,713)</u>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2007
(amounts expressed in thousands)

	Agency Fund
Assets	
Cash and cash equivalents	\$ 33,829
Receivables:	
Other receivables	279
Bonds and securities held in custody	155
Total assets	<u>\$ 34,263</u>
Liabilities	
Due to other governments	
Held in custody for others	34,263
Total liabilities	<u>\$ 34,263</u>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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, 2007

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 capital 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, \$101,375,000 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.

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.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

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, 2007

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, 2007

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. Governmental 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, 2007

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, 2007

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, 2007

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 State of New York Department of Health 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, 2007

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, 2007

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, 2007, amounted to \$9,084,653. 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 \$25,759,474, with \$22,224,195 reported within governmental activities and \$3,535,279 reported within business-type activities.

The Library component unit compensated absences liability of \$1,467,149 is recorded in full in the government-wide financial statements. The ECMCC component unit compensated absences liability of \$7,300,000 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, 2007

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 \$117,616 that is restricted by New York State Law to payments related to enforcement of Handicapped Parking Laws and \$1,961,257 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 \$28,110,639 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, 2007

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, 2007, 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 moneys 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.

Reserved for Law Enforcement – representing funds received from the sale of surplus helicopter parts to be utilized exclusively to support and maintain the Sheriff's Office Aviation Division.

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.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Restrictions, Reserves and Designations (Concluded)

Designations at December 31, 2007 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, \$2,273,942 and \$5,504,606 have been included in the 2008 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 \$1,449,280 at December 31, 2007.

N. 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.

O. Adoption of New Accounting Pronouncement

During the year ended December 31, 2007 the County adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect of adoption of this new pronouncement for the year ended December 31, 2007 is the recording of \$64,384,964 in expense for governmental activities and \$12,414,368 in expense for business-type activities in the government-wide financial statements that has not been recorded in previous years. Additionally, beginning with 2007, the total unfunded actuarial accrued liability for postemployment benefits of \$736,191,567 is being amortized over 30 years. Note XII (D) provides additional disclosures required under GASB Statement No. 45.

During the year ended December 31, 2007, the County adopted the provisions of GASB No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings. The County has evaluated GASB Statement No. 48 and determined there is no material impact on the financial statements.

P. Future Impacts of Accounting Pronouncements

The County has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for the fiscal year ending December 31, 2008; GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, effective for the fiscal year ending December 31, 2008; GASB Statement No. 52, *Land and Other Real Estate as Investments by Endowments* effective for the fiscal year ending December 31, 2009; and GASB

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

P. Future Impacts of Accounting Pronouncements (Concluded)

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* effective for the fiscal year ended December 31, 2010. Therefore, the County is unable to disclose the impact that adopting GASB Statements 49, 50, 51 and 52 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 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.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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

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 moneys 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	\$ 9,308
Less:	
Encumbrances at December 31, 2007	6,566
Plus:	
Encumbrances at January 1, 2007	<u>4,956</u>
Excess of revenues and other financing sources over expenditures and other financing uses - basis of budgeting	\$ <u><u>7,698</u></u>

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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 2007 expenditures through the budget process.

Commitments related directly to the Grants and the Community Development Special Revenue Funds in the amount of \$7,894,657 and \$2,037,168, respectively, at December 31, 2007, 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, and Special Capital Projects Fund, which are reported in Other Governmental Funds, reported deficit fund balances of \$3,165,468 and \$140,185 respectively at December 31, 2007. Future revenues or transfers are expected to remediate the deficit fund balances.

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 moneys 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, 2007

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. Moneys 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, 2007 (August 31, 2007 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 (\$32,197,489) or for certain trust accounts held by New York State (\$11,960,290), except for \$1,456,512 which were not collateralized

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, 2007, the fair value of money market accounts was \$165,663,969 which were fully collateralized with securities held by the pledging financial institution’s agent in the County’s name.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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	\$ 1,200
Institutional liquidity funds	817
Corporate commercial paper	19,165
Total Investments	\$ 21,182

The County's investment in municipal bonds at December 31, 2007 consists of \$1,200,000 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, 2007 consisted of \$19,165,392 of ING commercial paper that matured May 27, 2008. 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, 2007 the carrying amount of ECMCC's deposits was \$31,762,892 and petty cash was \$7,530. Of the bank balances of \$31,762,892, FDIC insurance was \$258,295 and \$31,504,597 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.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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, 2007.

	(000's omitted) Fair Value
	<u> </u>
Fixed Income Securities	\$ 51,166
Equity Funds	21,953
Commercial Paper	36,310
Money Market Mutual Funds	9,593
Money Market Bank Accounts	13,199
Repurchase Agreements	4,226
Deposits	686
Foundation Component Unit	729
RHEC Component Unit	1,227
	<u> </u>
Total investments and Restricted cash and cash equivalents	<u>\$ 139,089</u>

	(000's omitted) Fair Value
	<u> </u>
Investments	\$ 73,453
Restricted Cash and cash equivalents	65,636
	<u> </u>
	<u>\$ 139,089</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, 2007 are as follows:

	(000's omitted)	
	Cost	Fair Value
	<u> </u>	<u> </u>
Fixed income	\$ 583	\$ 583
International equities	515	523
Domestic stocks	736	758
	<u> </u>	<u> </u>
	<u>\$ 1,834</u>	<u>\$ 1,864</u>
Net unrealized gain		<u>\$ 30</u>

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

IV - RESTRICTED CASH AND CASH EQUIVALENTS

ECMCC Component Unit

Assets Whose Use is Limited—Assets whose use is limited at December 31, 2007 consists of the following:

	(000's omitted)
	Fair
	Value
	<hr/>
Patient and resident's trust cash	\$ 571
Research and study funds	418
Restricted for debt service principal and interest	9,594
Designated for retiree health obligations	10,000
Designated for acquisition of capital assets	26,155
Designated for self insurance	18,070
Foundation Component Unit	729
RHEC Component Unit	99
Total	<hr/> <u>\$ 65,636</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
DECEMBER 31, 2007

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, 2007 is computed as follows:

	(000s omitted)
Five-Year Average Full Valuation of Taxable Real Estate (2002-2006)	\$ 34,856,687
Tax Limit @ 1.5%	\$ 522,850
Statutory Additions	53,269
Total Taxing Power	576,119
Total Levy	(206,176)
Tax Margin	\$ 369,943

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, 2007 include sales and use taxes of approximately \$47.1 million; state and federal assistance for social services in excess of \$81.4 million; and other state and federal aid (including grants) approximating \$81.6 million.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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	\$ 55,218	\$	\$ 4,985	\$ 60,203
Sales and use Tax		47,088		47,088
Federal & State Assistance for DSS	81,342		28	81,370
Other Federal & State Aid	44,822		36,798	81,620
Loan	1,550			1,550
Other	9,784		26,667	36,451
Gross receivables	192,716	47,088	68,478	308,282
Less: allowances for uncollectibles	9,084			9,084
Total receivables	<u>\$ 183,632</u>	<u>\$ 47,088</u>	<u>\$ 68,478</u>	<u>\$ 299,198</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	\$ 4,792	\$ 997	\$ 5,789
Other	3,545	5,677	9,222
Gross receivables	8,337	6,674	15,011
Less: allowances for uncollectibles	3,950		3,950
Total receivables	<u>\$ 4,387</u>	<u>\$ 6,674</u>	<u>\$ 11,061</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, 2007

VIII - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

A. Primary Government

1. Governmental Activities

(000s omitted)

	Balance 1/1/07	Increases	Decreases	Balance 12/31/07
Capital assets, not being depreciated:				
Land	\$ 28,870	\$ 1,124	\$	\$ 29,994
Construction in progress	30,568	19,570	(28,771)	21,367
Total capital assets, not being depreciated	<u>59,438</u>	<u>20,694</u>	<u>(28,771)</u>	<u>51,361</u>
Capital assets, being depreciated:				
Buildings and improvements	492,497	3,519		496,016
Transportation network	409,533	26,066		435,599
Sewer network	234,571	5,605		240,176
Improvements other than buildings	18,779	5,712		24,491
Machinery and equipment	97,869	9,222	(2,189)	104,902
Total capital assets, being depreciated	<u>1,253,249</u>	<u>50,124</u>	<u>(2,189)</u>	<u>1,301,184</u>
Less accumulated depreciation for:				
Buildings and improvements	(207,757)	(15,447)		(223,204)
Transportation network	(178,515)	(17,743)		(196,258)
Sewer network	(65,476)	(3,742)		(69,218)
Improvements other than buildings	(6,946)	(951)		(7,897)
Machinery and equipment	(49,829)	(9,873)	1,816	(57,886)
Total accumulated depreciation	<u>(508,523)</u>	<u>(47,756)</u>	<u>1,816</u>	<u>(554,463)</u>
Total capital assets, being depreciated, net	<u>744,726</u>	<u>2,368</u>	<u>(373)</u>	<u>746,721</u>
Governmental activities capital assets, net	<u>\$ 804,164</u>	<u>\$ 23,062</u>	<u>\$ (29,144)</u>	<u>\$ 798,082</u>

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

	(000s omitted)
Governmental activities:	
General government	\$ 14,341
Public safety	6,070
Health	448
Transportation	19,250
Economic assistance and opportunity	100
Culture and recreation	1,556
Education	1,632
Home and community service	4,359
Total governmental activities depreciation expense	<u>\$ 47,756</u>

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

VIII - CAPITAL ASSETS (Continued)

A. Primary Government (Concluded)

2. Community College

	(000s omitted)			
	Balance 9/1/06	Increases	Decreases	Balance 8/31/07
Capital assets, not being depreciated:				
Construction in Progress	\$ 369	\$ 1268	\$ (368)	\$ 1,269
Capital assets, being depreciated:				
Building Improvements	706	654		1,360
Land improvements	64			64
Equipment	24,441	1,662	(3,310)	22,793
Library collections	2,661	246	(260)	2,647
Total capital assets, being depreciated	<u>27,872</u>	<u>2,562</u>	<u>(3,570)</u>	<u>26,864</u>
Less accumulated depreciation for:				
Building improvements	(86)	(52)		(138)
Land improvements	(5)	(3)		(8)
Equipment	(20,153)	(1,818)	3,263	(18,708)
Library collections	(1,344)	(252)	247	(1,349)
Total accumulated depreciation	<u>(21,588)</u>	<u>(2,125)</u>	<u>3,510</u>	<u>(20,203)</u>
Total capital assets, being depreciated, net	<u>6,284</u>	<u>437</u>	<u>(60)</u>	<u>6,661</u>
Community College capital assets, net	<u>\$ 6,653</u>	<u>\$ 1,705</u>	<u>\$ (428)</u>	<u>\$ 7,930</u>

Depreciation expense for the Community College was \$2,125,160 for the year ended August 31, 2007.

B. Component Units

1. ECMCC

	(000s omitted)			
	Balance 1/1/07	Increases	Decreases	Balance 12/31/07
Capital assets, not being depreciated:				
Construction in Progress	\$ 669	\$ 313	\$ (377)	\$ 605
Capital assets, being depreciated:				
Land improvements	2,810	11		2,821
Building	210,977	2,841		213,818
Fixed Equipment	3,269			3,269
Major moveable equipment	118,728	9,470	(286)	127,912
Total capital assets - being depreciated	<u>335,784</u>	<u>12,322</u>	<u>(286)</u>	<u>347,820</u>
Less accumulated depreciation	<u>(261,922)</u>	<u>(11,578)</u>		<u>(273,500)</u>
Total capital assets, being depreciated, net	<u>73,862</u>	<u>744</u>	<u>(286)</u>	<u>74,320</u>
Total ECMCC component unit capital assets	<u>\$ 74,531</u>	<u>\$ 1,057</u>	<u>\$ (663)</u>	<u>\$ 74,925</u>

Depreciation expense for ECMCC and the Foundation was \$11,577,530 for the year ended December 31, 2007.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

VIII - CAPITAL ASSETS (Concluded)

B. Component Units (Concluded)

2. Library

	(000s omitted)			
	Balance 1/1/07	Increases	Decreases	Balance 12/31/07
Capital assets, not being depreciated:				
Rare book collection	\$ 10,585	\$ 377	\$ _____	\$ 10,962
Capital assets, being depreciated:				
Machinery, Equipment and Library materials	62,263	3,470	(3,386)	62,347
Less accumulated depreciation for:				
Machinery, Equipment and Library materials	<u>(55,310)</u>	<u>(3,728)</u>	<u>3,098</u>	<u>(55,940)</u>
Total capital assets, being depreciated, net	<u>6,953</u>	<u>(258)</u>	<u>(288)</u>	<u>6,407</u>
Library Component Unit capital assets, net	<u>\$ 17,538</u>	<u>\$ 119</u>	<u>\$ (288)</u>	<u>\$ 17,369</u>

Depreciation expense for the Library was \$3,728,000 for the year ended December 31, 2007.

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 Fund	ECFSA General	Other Governmental Funds	Total
Payables - <u>Governmental Funds</u>				
Accounts payable	\$ 15,886	\$ 18	\$ 14,841	\$ 30,745
Other governments	29,297		9	29,306
Health and social service programs and agencies	40,868		838	41,706
Retained percentages	14		1,519	1,533
Salaries & fringes	20,564	19	1,811	22,394
Other	<u>1,448</u>		<u>3,961</u>	<u>5,409</u>
Total payables	<u>\$ 108,077</u>	<u>\$ 37</u>	<u>\$ 22,979</u>	<u>\$ 131,093</u>

	Community College	Nonmajor Fund	Total
Payables - <u>Proprietary Funds</u>			
Accounts payable	\$ 1,302	\$ 5,428	\$ 6,730
Salaries & fringes	6,853	1	6,854
Other	<u>4,141</u>	<u>52</u>	<u>4,193</u>
Total payables	<u>\$ 12,296</u>	<u>\$ 5,481</u>	<u>\$ 17,777</u>

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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:

Year	Contribution Amount		
	County - ERS	Library	ECMCC
		Unit - ERS	Component Unit - ERS
2007	\$ 28,669,390	\$ 1,470,906	\$ 10,800,000
2006	13,525,883	659,381	11,100,000
2005	38,788,149	2,146,835	12,500,000

The employer contributions made to the ERS were equal to the contributions required for each year, except for 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.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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 2007 fiscal year were \$2,016,309 and \$509,618, respectively. The total unpaid balance of this retirement liability at the end of the College's fiscal year was \$168,881.

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.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

X – RETIREMENT PLANS (Continued)

C. New York State Teachers' Retirement System (Concluded)

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:

<u>Year</u>	<u>County TRS</u>
2007	1,154,076
2006	862,008
2005	494,634

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, 2007, is an estimated \$859,113 of which \$138,983 was charged to expenses in the current fiscal year and \$138,982 remained unpaid at August 31, 2007. 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 \$1,385,832.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

X – RETIREMENT PLANS (Concluded)

D. Summary of Retirement Plan Liabilities:

(000s omitted)

<u>Retirement Plan/ Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Government Total</u>	<u>Library Component Unit</u>	<u>Reporting Entity Total</u>
<u>ERS</u>					
Regular	\$ 12,691	\$ 894	\$ 13,585	\$ 659	\$ 14,244
Total	<u>12,691</u>	<u>894</u>	<u>13,585</u>	<u>659</u>	<u>14,244</u>
<u>TRS</u>					
Regular		1,247	1,247		1,247
Early Retirement		139	139		139
Total	<u>0</u>	<u>1,386</u>	<u>1,386</u>	<u>0</u>	<u>1,386</u>
<u>TIAA-CREF</u>					
Regular		169	169		169
Total	<u>\$ 12,691</u>	<u>\$ 2,449</u>	<u>\$ 15,140</u>	<u>\$ 659</u>	<u>\$ 15,799</u>

The County and its component units have recorded the above retirement liabilities as long-term liabilities on the statement of net assets. In addition, retirement liabilities have been recorded as accrued liabilities as follows: Governmental Activities of \$15.085 million, ECMCC Component Unit of \$10.800 million and Library Component Unit of \$.812 million.

XI – CONSTRUCTION COMMITMENTS

The County has a number of active construction projects at December 31, 2007. The amounts spent to date and remaining commitments (encumbrances) presented by major project groupings are as follows:

(000s omitted)

<u>Projects</u>	<u>Spent-to-date</u>	<u>Remaining Commitments</u>
General Government Buildings, Equipment and Improvements	\$ 521,692	\$ 3,182
Highways, Roads, Bridges and Equipment	128,163	2,726
Sewers, Facilities Equipment and Improvements	181,234	4,096
Special Capital Projects	25,145	231
ECMC Capital Projects	55,997	920 *
Total	<u>\$ 912,231</u>	<u>\$ 11,155</u>

* The County has additional future capital commitments related to the ECMCC Sale Agreement, as amended, totaling approximately \$7,300,000 at December 31, 2007. Of this amount, \$1,955,225 is reflected in the government-wide financial statements only.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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, 2007:

(000s omitted)

Purpose*	Issue	Maturity	Interest Rate	Balance 1/1/07	Additions	Reductions	Balance 12/31/07	Due Within One Year
Capital	1983	2008	9.60-10.00%	\$ 300	\$	150	\$ 150	\$ 150
Capital	1992	2012	4.25-7.65	5,101		1,426	3,675	735
Capital	1993	2013	3.30-5.25	676		90	586	255
Capital	1993	2013	Zero Coupon	3,013		942	2,071	646
Capital	1994	2007	4.90-6.50	555		555		
Capital	1995	2007	4.40-5.60	515		515		
Capital	1996	2007	4.30-6.00	730		730		
Capital	1996	2015	0.00	656		68	588	69
Capital	1997	2017	3.75-5.35	405		35	370	35
Capital	1997	2012	4.50-5.50	5,944		994	4,950	990
Refunding	1997	2009	4.50-5.25	871		381	490	305
Refunding	1997	2007	4.50-4.80	72		72		
Capital	1998	2017	3.70-5.15	395		30	365	30
Capital	1998	2013	4.25-5.00	5,856		883	4,973	883
Capital	1999	2018	3.48-5.42	160		10	150	10
Capital	1999	2018	0.00	73		6	67	6
Capital	1999	2009	4.375-5.75	4,271		1,424	2,847	1,424
Capital	1999	2019	5.125-6.00	1,940		110	1,830	115
Capital	2000	2018	3.80-5.92	155		10	145	10
Capital	2000	2012	5.25-6.00	7,662		1,313	6,349	1,313
Capital	2000	2020	5.25-5.70	495		35	460	35
Capital	2001	2031	2.619-5.314	1,820		50	1,770	50
Capital	2001	2031	0.00	4,206		141	4,065	144
Capital	2001	2020	2.30-5.00	23,460		1,820	21,640	1,820
Capital	2001	2021	2.30-5.00	720		50	670	50
Capital	2002	2031	1.362-5.082	1,220		45	1,175	45
Capital	2002	2024	2.521-6.181	4,320		185	4,135	190
Capital	2002	2031	1.333-5.323	910		25	885	25
Capital	2002	2017	3.00-5.00	49,635		3,560	46,075	3,740
Capital	2002	2022	3.00-5.00	1,065		45	1,020	50
Capital	2003	2032	1.031-4.901	1,200		35	1,165	35
Capital	2003	2029	2.549-6.259	14,135		535	13,600	545
Capital	2003	2032	0.00-0.00	429		16	413	16
Capital	2003	2020	4.00-5.25	71,546		3,674	67,872	3,842
Capital	2003	2023	2.00-4.75	2,215		100	2,115	100
Capital	2003	2032	0.790-4.612	1,135		35	1,100	35
Pension	2003	2008	3.00-4.00	7,625		4,725	2,900	2,900
Subtotals carried forward				<u>225,486</u>	<u></u>	<u>24,820</u>	<u>200,666</u>	<u>20,598</u>

*Capital = Capital acquisition and construction

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

XII - LONG-TERM LIABILITIES (Continued)

A. Bonded Indebtedness (Continued)

Purpose*	Issue	Maturity	Interest Rate	(000s omitted)			Balance 12/31/07	Due Within One Year
				Balance 1/1/07	Additions	Reductions		
Subtotals brought forward				225,486		24,820	200,666	20,598
Capital	2004	2015	2.50-5.250	16,870		1,600	15,270	1,650
Capital	2004	2033	1.02-4.63	1,022		22	1,000	25
Capital	2004	2024	3.25-5.25	74,250		5,700	68,550	5,965
Capital	2005	2034	1.56-4.57	3,231		85	3,146	86
Capital	2005	2033	2.06-4.13	2,440		70	2,370	65
Capital	2005	2020	4.45-5.00	62,570		3,195	59,375	3,355
Capital	2005	2035	3.50-5.00	11,965		215	11,750	225
Capital	2005	2012	5.50	22,650		3,290	19,360	3,470
Refunding	2005	2029	3.50-4.50	53,855		700	53,155	2,570
Tobacco Refunding	2005	varies***	varies***	317,110		3,255	313,855	
Tobacco Settlement	2006	varies***	varies***	17,695			17,695	
Capital	2006	2035	0.00	2,011		70	1,941	66
Capital	2006	2017	3.50-4.00	13,205			13,205	1,105
Capital	2006	2036	3.50-4.25	4,375		95	4,280	80
ECMCC Settlement	2006	2011	4.93-4.99	32,850			32,850	7,625
Capital	2007	2036	3.63-4.79	-	5,374	310	5,064	125
				<u>861,585</u>	<u>5,374</u>	<u>43,427</u>	<u>823,532</u>	<u>\$ 47,010</u>
discount on zero coupon bonds				(363) **	124		(239) **	
discount on ETASC bonds				(11,629)		(59)	(11,570)	
premium on bond issuance				22,635		1,905	20,730	
deferred amount on refunding				(2,160)		(178)	(1,982)	
deferred amount on refunding-ETASC				(24,905)		(764)	(24,141)	
Bonds payable for financial statement purposes				<u>\$ 845,163</u>	<u>\$ 5,498</u>	<u>\$ 44,331</u>	<u>\$ 806,330</u>	

*Capital = Capital acquisition and construction

** Amount of unamortized discount on zero coupon bonds at issue date was \$3.348 million. Of this amount, \$2.985 million and \$0.124 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, 2007

XII - LONG-TERM LIABILITIES (Continued)

A. Bonded Indebtedness (Concluded)

The following is a summary of bonded indebtedness:

	(000s omitted)			
	Balance 1/1/07	Additions	Reductions	Balance 12/31/07
Governmental Activities	\$ 861,170	\$ 5,374	\$ 43,220	\$ 823,324
Remaining unamortized:				
discount on zero coupon bonds	(363)	124		(239)
discount on ETASC bonds	(11,629)		(59)	(11,570)
premium on bond issuance	22,632		1,903	20,729
deferred amount on refunding	(2,160)		(178)	(1,982)
deferred amount on refunding-ETASC	(24,905)		(764)	(24,141)
Bonds payable for financial statement purposes	<u>\$ 844,745</u>	<u>\$ 5,498</u>	<u>\$ 44,122</u>	<u>\$ 806,121</u>

	(000s omitted)			
	Balance 1/1/07	Additions	Payments	Balance 12/31/2007
Library Component Unit	\$ 415	\$	\$ 207	\$ 208
Remaining unamortized				
premium on bond issuance	<u>3</u>		<u>2</u>	<u>1</u>
Bonds payable for financial statement purposes	<u>\$ 418</u>	<u>\$ 0</u>	<u>\$ 209</u>	<u>\$ 209</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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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
DECEMBER 31, 2007

XII - LONG-TERM LIABILITIES (Continued)

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

Details of long-term debt are as follows:

			\$318,834,680	
			Term Bond	
Issue Amount	Rate	Description		Projected Final Turbo Redemption Date
\$ 30,330,000	5.000%	Series 2005A Bonds Due June 1, 2031 Semi-annual interest only payments through maturity, may be redeemed at the option of the ETASC at anytime in whole or in part after June 1, 2015		June 1, 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
DECEMBER 31, 2007

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, 2007 is as follows:

(000s omitted)

Bonds payable at January 1, 2007	\$ 334,805
Principal payments during 2007	<u>(3,255)</u>
Bonds payable at December 31, 2007	<u>\$ 331,550</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 \$11,569,329 and loss on defeasance of \$24,141,336.

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

(000s omitted)

Twelve months ended December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2008	\$	\$ 14,744	\$ 14,744
2009		14,744	14,744
2010		14,744	14,744
2011		14,744	14,744
2012		14,744	14,744
2013-2017		73,720	73,720
2018-2022		73,720	73,720
2023-2027		73,720	73,720
2028-2032	94,820	53,062	147,882
2033-2037		46,541	46,541
2038-2042	74,685	29,737	46,541
2043-2047	120,643	35,800	156,443
2048-2052	12,565	34,947	47,512
2053-2057	11,142	37,227	48,369
2058-2060	17,695	69,712	87,407
	<u>\$ 331,550</u>	<u>\$ 601,906</u>	<u>\$ 933,456</u>

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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, 2007:

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, 2007 for amounts due in 2008 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	\$ 15,140	\$ 659	\$ 15,799
Less: Due within one year	<u>3,737</u>	<u>69</u>	<u>3,806</u>
Due in more than one year	<u>\$ 11,403</u>	<u>\$ 590</u>	<u>\$ 11,993</u>

The County and its component units have recorded the above retirement liabilities as long-term liabilities on the statement of net assets. In addition, retirement liabilities have been recorded as accrued liabilities as follows: Governmental Activities of \$15.085 million, ECMCC Component Unit of \$10.800 million and Library Component Unit of \$.812 million.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

XII – LONG-TERM LIABILITIES (Continued)

D. Other Long-Term Liabilities (Continued)

2. Compensated Absences

The value recorded in the government-wide financial statements at December 31, 2007, for governmental activities is \$22,224,195 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.

Compensated absences of \$3,535,279 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 \$7,300,000 have been reported as an accrued liability. Compensated absences of the Library component unit totaling \$1,467,149 have been reported as a long-term liability.

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 \$42,399,333 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 \$6,800,000 and \$7,270,000 for the long-term portions of medical malpractice and worker's compensation related exposures, respectively.

XII - LONG-TERM LIABILITIES (Continued)

D. Other Long-Term Liabilities (Continued)

4. Other Post-Employment Benefits (OPEB) – Health Insurance

In adopting the requirements of GASB Statement No. 45 during the year ended December 31, 2007, the County recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability.

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

Funding Policy - The County currently pays for post-employment health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue.

Annual Other Post-employment Benefit Cost - For the fiscal year ended December 31, 2007, the County's annual OPEB cost (expense) of \$76,799,332 is equal to the Annual Required Contribution (ARC). Considering the annual expense as well as payments for current health insurance premiums, which totaled \$17,484,977 for retirees and their beneficiaries, the result was an increase in the net OPEB obligation of \$59,314,355 for the year ended December 31, 2007.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

XII - LONG-TERM LIABILITIES (Continued)

D. Other Long-Term Liabilities (Continued)

Annual OPEB Cost and Net OPEB Obligation
(000s omitted)

	Governmental Activities	Business-type Activities	Primary Government Total
Actuarial Accrued Liability (AAL)	\$ 600,577	\$ 135,615	\$ 736,192
Unfunded actuarial accrued liability (UAAL)	600,577	135,615	736,192
Normal cost at beginning of year	28,240	5,682	33,922
Amortization factor based on 30 years	17.40	19.71	
Annual Covered Payroll	196,875	46,457	243,332
UAAL as a Percentage of Covered Payroll	305.05%	291.92%	302.55%

Level Dollar Amortization
Calculation of ARC under Projected Unit Credit Method

ARC Normal cost with interest to end of year	\$ 28,240	\$ 5,682	\$ 33,922
(UAAL) over 30 years with interest at end of year	36,145	6,732	42,877
Annual required contribution (ARC)	64,385	12,414	76,799
Interest on Net OPEB Obligation			
Adjustment to ARC			
Annual OPEB cost (expense)	64,385	12,414	76,799
Contribution for fiscal year ended December 31, 2007	(14,772)	(2,713)	(17,485)
Increase in net OPEB obligation	49,613	9,701	59,314
Net OPEB obligation December 31, 2006			
Net OPEB obligation December 31, 2007	\$ 49,613	\$ 9,701	\$ 59,314
Percent of annual OPEB cost contributed	22.94%	21.85%	22.77%

Funded Status and Funding Progress – As of January 1, 2006, the most recent actuarial valuation date, the OPEB plan was unfunded, resulting in an unfunded accrued liability (UAAL) of \$736,191,567.

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

In the January 1, 2006 actuarial valuation, the liabilities were computed using the projected unit credit method. The actuarial assumptions utilized a 4.30% and 3.20% investment rate of return for governmental activities and business-type activities respectively.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

XII - LONG-TERM LIABILITIES (Continued)

D. Other Long-Term Liabilities (Concluded)

The rates are based on the projected long-term earning rate of the assets expected to be available to pay benefits. Because the County does not currently segregate funding for these benefits, the rates selected are the expected return on the County's general and business-type assets. The valuation assumes healthcare cost trends as follows: pre-65 medical, 10.50%; post-65 medical; 8.50% and prescription 13.00%; all reduced by decrements to reach a rate of 5.00% in 2018.

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

E. Summary of Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2007:

1. Governmental Activities

(000s omitted)

	Balance <u>1/1/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/07</u>	Due Within <u>One Year</u>
Bonds payable for financial statement purposes	\$ 844,745	\$ 5,498 ⁽¹⁾	\$ 44,122	\$ 806,121	\$ 46,802
Due to New York State and Local Employees' Retirement System	12,691			12,691 ⁽²⁾	1,516 ⁽²⁾
Compensated absences	22,682	16,039	16,497	22,224	11,607
Judgments and claims	47,201	10,093	14,895	42,399	11,472
OPEB liability		<u>49,613</u>		<u>49,613</u>	
Governmental activity Long-term liabilities	<u>\$ 927,319</u>	<u>\$ 81,243</u>	<u>\$ 75,514</u>	<u>\$ 933,048</u>	<u>\$ 71,397</u>

(1) Includes \$0.124 million representing portion of zero coupon bonds discount amortized in current year; remaining unamortized discount is \$0.239 million.

(2) In addition, \$15.085 million is recorded as an accrued liability.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

XII - LONG-TERM LIABILITIES (Continued)

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

2. Business-Type Activities

(000s omitted)

	Balance 9/1/06	Additions	Reductions	Balance 8/31/07	Due Within One Year
Retirement Liabilities	\$ 2,248	\$ 4,122	\$ 3,052	\$ 3,318 *	\$ 2,851 *
Compensated Absences & Fringes	3,608	310	383	3,535	145
OPEB Liability	-	9,701	-	9,701	-
Business-type activity					
Long-term liabilities	<u>\$ 5,856</u>	<u>\$ 14,133</u>	<u>\$ 3,435</u>	<u>\$ 16,554</u>	<u>\$ 2,996</u>

* Includes \$0.869 million of Retirement Incentive Wages and Vouchers, of which \$0.630 million is due within one year.

3. Library Component Unit

(000s omitted)

	Balance 1/1/07	Additions	Reductions	Balance 12/31/07	Due Within One Year
Bonds Payable for Financial Statement Purposes	\$ 418	\$ -	\$ 209	\$ 209	\$ 209
Due to New York State and Local Employees' Retirement System	659	-	-	659 ⁽¹⁾	69 ⁽¹⁾
Compensated Absences	1,291	979	803	1,467	662
OPEB Liability	-	1,859	-	1,859	-
Library Component Unit Long-term liabilities	<u>\$ 2,368</u>	<u>\$ 2,838</u>	<u>\$ 1,012</u>	<u>\$ 4,194</u>	<u>\$ 940</u>

(1) In addition, \$.812 million is recorded as an accrued liability.

4. ECMCC Component Unit

(000s omitted)

	Balance 1/1/07	Additions	Reductions	Balance 12/31/07	Due Within One Year
Bonds Payable for Financial Statement Purposes	\$ 101,375	\$ -	\$ -	\$ 101,375	\$ -
Judgments and Claims	12,242	1,828	-	14,070	-
OPEB Liability	-	9,664	-	9,664	-
ECMCC Component Unit Long-term liabilities	<u>\$ 113,617</u>	<u>\$ 11,492</u>	<u>\$ 0</u>	<u>\$ 125,109</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 \$3,500,000 and \$500,000, respectively.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

XII - LONG-TERM LIABILITIES (Continued)

F. Maturity Schedules

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

(000s omitted)

Year	Total	Serial Bonds	Retirement	Compensated Absences	Judgments & Claims	OPEB
2008	\$ 74,393	\$ 46,802	\$ 4,367 ⁽²⁾	\$ 11,752	\$ 11,472	\$
2009	47,021	44,949	2,072			
2010	46,038	44,336	1,702			
2011	47,283	45,479	1,804			
2012	38,996	37,084	1,912			
2013-2017	166,095	161,943	4,152			
2018-2022	75,016	75,016				
2023-2027	20,616	20,616				
2028-2032	105,729	105,729				
2033-2037	4,640	4,640				
2038-2042	74,685	74,685				
2043-2047	120,643	120,643				
2048-2052	12,565	12,565				
2053-2057	11,142	11,142				
2058-2060	17,695	17,695				
Various ⁽¹⁾	104,248			14,007	30,927	59,314
	<u>966,805</u>	<u>823,324</u>	<u>\$ 16,009 ⁽²⁾</u>	<u>\$ 25,759</u>	<u>\$ 42,399</u>	<u>\$ 59,314</u>
	(239)	(239)	Remaining unamortized discount on zero coupon bonds			
	(11,570)	(11,570)	Discount on ETASC bonds			
	20,729	20,729	Remaining unamortized premium of bond issuance			
	(1,982)	(1,982)	Remaining unamortized deferred amount on refunding			
	<u>(24,141)</u>	<u>(24,141)</u>	Deferred amount on refunding ETASC			
	<u>\$ 949,602</u>	<u>\$ 806,121</u>	Long-term liabilities for financial statement purposes			

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

(2) In addition, \$15.085 million is recorded as an accrued liability.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

XII - LONG-TERM LIABILITIES (Continued)

F. Maturity Schedules (Continued)

2. Annual Interest Payments Due on Serial Bonds

(000s omitted)

<u>Year</u>	<u>Primary Gov't</u>	Component Unit <u>Library</u>	Component Unit <u>ECMCC</u>
2008	\$ 37,861	\$ 8	\$ 5,562
2009	35,688		5,562
2010	33,612		5,476
2011	31,503		5,382
2012	29,354		5,279
2013-2017	121,819		24,511
2018-2022	89,054		20,375
2023-2027	79,332		14,890
2028-2032	55,298		7,493
2033-2037	46,988		411
2038-2042	29,737		
2043-2047	35,800		
2048-2052	34,947		
2053-2057	37,227		
2058-2060	69,713		
Totals	<u>\$ 767,933</u>	<u>\$ 8</u>	<u>\$ 94,941</u>

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

(000s omitted)

<u>Year</u>	<u>Total</u>	Serial <u>Bonds</u>	Retirement	Compensated <u>Absences</u>	<u>OPEB</u>
2008	\$ 940	\$ 208	\$ 70 ⁽²⁾	\$ 662	\$
2009	73		73		
2010	76		76		
2011	80		80		
2012	84		84		
2013-2016	277		277		
Various ⁽¹⁾	2,664			805	1,859
	<u>4,194</u>	<u>208</u>	<u>\$ 660 ⁽²⁾</u>	<u>\$ 1,467</u>	<u>\$ 1,859</u>
	<u>1</u>	<u>1</u>	Remaining unamortized premium of bond iss		
	<u>\$ 4,195</u>	<u>\$ 209</u>	Long-term liabilities for financial statement p1		

(1) Payment of compensated absences is dependent on many factors; therefore, timing of future payments is not readily determinable.

(2) In addition, \$.812 million is recorded as an accrued liability.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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 & Claims</u>
2009	\$ 2,070	\$ 2,070	\$
2010	2,155	2,155	
2011	2,250	2,250	
2012	2,350	2,350	
2013-2017	13,640	13,640	
2018-2022	17,775	17,775	
2023-2027	23,260	23,260	
2028-2032	30,655	30,655	
2033	7,220	7,220	
Various*	<u>14,070</u>		<u>14,070</u>
	<u>115,445</u>	<u>101,375</u>	<u>\$ 14,070</u>
	<u>\$ 115,445</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, 2007

XII - LONG-TERM LIABILITIES (Continued)

H. Constitutional Debt Limit

The County constitutional debt limit at December 31, 2007 is computed as follows:

	(000s omitted)
Five-Year Average Full Valuation of Taxable Real Estate (2003-2007)	\$ <u>36,523,172</u>
Debt Limit @ 7%	\$ 2,556,622
Net Indebtedness (After Statutory Exclusions)	<u>524,913</u> *
Net Debt Contracting Margin	\$ <u>2,031,709</u>
Percentage of Debt Contracting Power Exhausted	20.53%

*Net indebtedness includes general obligation bonds of \$593.358 million (excludes ETASC bonds of \$331.550 million and includes ECMCC bond guaranty of \$101.375 million) less sewer bonds for self-supporting sewer districts of \$68.445 million.

I. Operating Leases

Operating lease obligations are primarily for rental of space. Lease expenditures/expenses for the year were approximately \$6,516,000 for the primary government and \$2,000,000 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
2008	\$ 3,796	\$ 1,138
2009	2,924	986
2010	2,439	828
2011	1,880	490
2012	487	69
2013-2016	<u> </u>	<u>64</u>
Totals	\$ <u>11,526</u>	\$ <u>3,575</u>

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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, 2007, excluding blended component units:

	(000's omitted)			
<u>Description</u>	<u>Balance</u> <u>1/1/07</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>12/31/07</u>
Bond Anticipation Notes	\$ 2,358	\$ 1,353	\$ 3,711	\$ 0
Revenue Anticipation Notes	110,000	75,000	110,000	75,000
Note Payable	<u>7,707</u>	<u> </u>	<u>4,754</u>	<u>2,953</u>
Total	<u>\$ 120,065</u>	<u>\$ 76,353</u>	<u>\$ 118,465</u>	<u>\$ 77,953</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 moneys 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 moneys 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 \$2,952,788 at December 31, 2007. 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, 2007

XIV - INTERFUND TRANSACTIONS

A. Interfund Receivables and Payables

Interfund receivables and payables of the County at December 31, 2007, and the Community College at August 31, 2007, consisted of the following:

		(000s omitted)
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	ECFSA	\$ 47,088
	Nonmajor Proprietary Fund	2,633
	Nonmajor Governmental Funds	31,239
	Community College	<u>2,339</u>
		<u>83,299</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	997
	Community College	<u>13</u>
		<u>1,010</u>
Nonmajor Proprietary Fund	Community College	<u>787</u>
Community College	General Fund	244
	Nonmajor Governmental Funds	<u>1,901</u>
		<u>2,145</u>
Total Receivables		87,241
Less: Timing Differences		<u>(1,042)</u>
Total Payables		<u>\$ 86,199</u>

Interfund receivables exceed interfund payables by \$1,042,057. This difference represents interfund receivables in the amounts of \$802,415 and \$239,642 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
DECEMBER 31, 2007

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, 2007, consisted of the following:

		(000s omitted)
<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government-General Fund	ECMCC Component Unit	\$ <u>1,640</u>
Primary Government-Nonmajor Proprietary Fund	ECMCC Component Unit	\$ <u>2,415</u>
ECMCC Component Unit	Primary Government-General Fund	\$ <u>2,860</u>

An amount of \$1,955,225 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. This balance is shown as a reconciling item on the Reconciliation of Statement of Net Assets to Governmental Fund Balances.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

XIV - INTERFUND TRANSACTIONS (Concluded)

C. Interfund Transfers

Interfund transfers for the County for the year ended December 31, 2007, and the Community College for the year ended August 31, 2007, 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	\$ 3,504	For the local share of Grant programs
	Nonmajor Governmental Funds	52,435	For general debt service
	Nonmajor Governmental Funds	3,304	For highway improvements
	Community College	13,570	To support College operations
	ETCC	2,139	To support ETCC operations
		<u>74,952</u>	
ECFSA	General Fund	368,696	For operations from sales tax receipts
	Nonmajor Governmental Funds	668	For general debt service
	Nonmajor Governmental Funds	419	For Grant programs
		<u>369,783</u>	
Nonmajor Governmental Funds	General Fund	39	For general fund operations
	Nonmajor Governmental Funds	7	For local share of Grant programs
	Nonmajor Governmental Funds	105	For ETASC operations
	Nonmajor Governmental Funds	1,145	To support sewer operations
	Nonmajor Governmental Funds	4,399	For sewer debt service
	Nonmajor Governmental Funds	1,724	For general debt service
	Nonmajor Governmental Funds	3,484	To support various capital projects
	Community College	1,859	For movable equipment
		<u>12,762</u>	
Total Transfers		<u>\$ 457,497</u>	

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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, medical malpractice and workers' compensation. The County has also elected to purchase some minor policies from commercial insurers to provide for items such as comprehensive crime and boiler/machinery coverage, as well as protection of valuable papers and records; settled claims have not exceeded commercial coverage in any of the past three fiscal years.

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, 2007, because they did not meet the criteria for recognition as fund liabilities, amounted to \$42,399,333.

In addition, the County has claims in the range of \$1,785,000 to \$20,562,184 for which there is a reasonable possibility of a future loss. No accrual has been recorded for such possible losses as of December 31, 2007.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

XV – CONTINGENCIES (Continued)

A. Self-Insurance Programs (Concluded)

The changes since December 31, 2005 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>
2006	\$ 600,000	\$ 532,159	\$ 600,000	\$ 532,159
2007	532,159	147,158	532,159	147,158

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 \$7,300,000 has been accrued at December 31, 2007 discounted at 4.5% 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, 2007 the County recorded \$562,500 as a long-term liability related to this decree. In addition, ECMCC has recorded liabilities of approximately \$10,770,000 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, 2007, 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 \$135.7 million for the year ended December 31, 2007. The enabling legislation allowing this additional tax expires November 30, 2010. 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 \$33.9 million for the year ended December 31, 2007. The enabling legislation allowing this additional tax expires November 30, 2009. 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
DECEMBER 31, 2007

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 \$67.8 million for the year ended December 31, 2007. The enabling legislation allowing this additional tax was extended during the year and expires November 30, 2009.

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 moneys 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, 2007, ECMCC, a component unit of the County has recorded \$23,110,295 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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

XVI – FUND BALANCE DESIGNATIONS

Designations are not required segregations, but are segregated for a specific purpose by the County at December 31, 2007 and were as follows:

	(000s omitted)		
	General	Other Governmental Funds	Total Primary Government
Designated for:	<u> </u>	<u> </u>	<u> </u>
Subsequent year's expenditures	\$ <u>2,289</u>	\$ <u>6,954</u>	\$ <u>9,243</u>
Total Fund Balance Designations	\$ <u><u>2,289</u></u>	\$ <u><u>6,954</u></u>	\$ <u><u>9,243</u></u>

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 \$390,595 for the year ended December 31, 2007. The Corporation reported a net revenue available for distribution to participating municipalities of \$2,811,962. In addition, cumulative net revenue retained for capital acquisitions was \$23,172,073 at December 31, 2007. 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.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

XVIII – ERIE COUNTY FISCAL STABILITY AUTHORITY

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, ended 2006 with a \$23.8 million surplus and a total fund balance of \$38.2 million, and ended 2007 with a \$9.3 million surplus and a total fund balance of \$47.5 million.

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. 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 ECFSA also imposed a hiring freeze and a contract review process. In addition, the ECFSA has the right to freeze wages, although it has not elected to exercise that right. Since that initial declaration of a control period, ECFSA declared control periods for the County in fiscal years 2007 and 2008.

XIX - SUBSEQUENT EVENT

In December 2006, the New York State Commission ("Commission") on Health Care Facilities in the 21st Century released recommendations to reduce excess bed capacity throughout New York State. In the western region of New York State, the Commission recommended that ECMCC and the private sector Kaleida Health System ("KHS") join under a single, unified governance structure.

On June 23, 2008 an agreement was reached between ECMCC and KHS to remain separate with a state-appointed board having authority over major decisions. On June 26, 2008, the agreement was approved by the New York State Department of Health.

The impact of this agreement on the County's financial position and results of operations is uncertain.

* * * * *

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.

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2007
 (amounts expressed in thousands)

	----- Special Revenue -----									
	Road	Sewer	Downtown Mall	E-911	Emergency Response	Grants	ETASC General	ETCC	Community Development	Total
Assets										
Cash and cash equivalents	\$ 3	\$ 19,019	\$ 4	\$ 1,369	\$	\$	\$ 240	\$ 1,645	\$ 179	\$ 22,459
Investments										
Receivables (net of allowances)										
Real property taxes, interest, penalties and liens			160					4,825		4,985
Other	8	5	1	402		740		3	24,735	25,894
Due from other funds		856					5			861
Due from other governments	8,042	62		200	3,904	14,435			964	27,607
Prepaid items							55			55
Total assets	\$ 8,053	\$ 19,942	\$ 165	\$ 1,971	\$ 3,904	\$ 15,175	\$ 300	\$ 6,473	\$ 25,878	\$ 81,861
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	\$ 751	\$ 504	\$	\$ 3	\$ 538	\$ 2,118	\$ 43	\$ 114	\$ 1,053	\$ 5,124
Accrued liabilities	1,260	1,051	164		250	1,480		1,122	88	5,415
Due to other funds	9,207		1		3,116	7,149		2,284		21,757
Due to other governments									9	9
Retained percentages payable		23								23
Unearned revenue						4,428			24,728	29,156
Deferred revenue								2,953		2,953
Short-term debt										
Total liabilities	11,218	1,578	165	3	3,904	15,175	43	6,473	25,878	64,437
Fund balances:										
Reserved for:										
Encumbrances	429	3,738		7						4,174
Debt service										
Repairs	3,383									3,383
E-911 system costs				1,961						1,961
Unreserved, reported in:										
Special revenue funds										
Designated		5,505								5,505
Undesignated	(6,977)	9,121					257			2,401
Capital projects fund										
Designated										
Undesignated										
Total fund balances	(3,165)	18,364	0	1,968	0	0	257	0	0	17,424
Total liabilities and fund balances	\$ 8,053	\$ 19,942	\$ 165	\$ 1,971	\$ 3,904	\$ 15,175	\$ 300	\$ 6,473	\$ 25,878	\$ 81,861

COUNTY OF ERIE, NEW YORK
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2007
 (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	
Assets											
Cash and cash equivalents	\$ 15,835	\$	\$ 15,835	\$ 31,088	\$ 3,760	\$ 10,757	\$ 89	\$ 2,351	\$ 7,325	\$ 55,370	\$ 93,664
Investments		19,982	19,982				1,200			1,200	21,182
Receivables (net of allowances)											
Real property taxes, interest, penalties and liens											4,985
Other		81	81								25,975
Due from other funds	136		136	13						13	1,010
Due from other governments	333		333	843	8,574	161				9,578	37,518
Prepaid items											55
Total assets	<u>\$ 16,304</u>	<u>\$ 20,063</u>	<u>\$ 36,367</u>	<u>\$ 31,944</u>	<u>\$ 12,334</u>	<u>\$ 10,918</u>	<u>\$ 1,289</u>	<u>\$ 2,351</u>	<u>\$ 7,325</u>	<u>\$ 66,161</u>	<u>\$ 184,389</u>
Liabilities and Fund Balances											
Liabilities:											
Accounts payable	\$	\$	\$	\$ 7,867	\$ 686	\$ 282	\$	\$ 22	\$ 860	\$ 9,717	\$ 14,841
Accrued liabilities	22		22	90	944	79		38	21	1,172	6,609
Due to other funds		42	42	2,205	6,667	992	5	2,426	3	12,298	34,097
Due to other governments											9
Retained percentages payable				839	76	552		5	25	1,497	1,520
Unearned revenue					45					45	29,201
Deferred revenue		81	81								81
Short-term debt											2,953
Total liabilities	<u>22</u>	<u>123</u>	<u>145</u>	<u>11,001</u>	<u>8,418</u>	<u>1,905</u>	<u>5</u>	<u>2,491</u>	<u>909</u>	<u>24,729</u>	<u>89,311</u>
Fund balances:											
Reserved for:											
Encumbrances				3,182	2,726	4,096		231	920	11,155	15,329
Debt service	16,282	19,940	36,222								36,222
Repairs											3,383
E-911 system costs											1,961
Unreserved, reported in:											
Special revenue funds											
Designated											5,505
Undesignated											2,401
Capital projects fund											
Designated				17,761	1,190	4,917	510		939	1,449	1,449
Undesignated							774	(371)	4,557	28,828	28,828
Total fund balances	<u>16,282</u>	<u>19,940</u>	<u>36,222</u>	<u>20,943</u>	<u>3,916</u>	<u>9,013</u>	<u>1,284</u>	<u>(140)</u>	<u>6,416</u>	<u>41,432</u>	<u>95,078</u>
Total liabilities and fund balances	<u>\$ 16,304</u>	<u>\$ 20,063</u>	<u>\$ 36,367</u>	<u>\$ 31,944</u>	<u>\$ 12,334</u>	<u>\$ 10,918</u>	<u>\$ 1,289</u>	<u>\$ 2,351</u>	<u>\$ 7,325</u>	<u>\$ 66,161</u>	<u>\$ 184,389</u>

COUNTY OF ERIE, NEW YORK
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended December 31, 2007
 (amounts expressed in thousands)

	----- Special Revenue -----									
	Road	Sewer	Downtown Mall	E-911	Emergency Response	Grants	ETASC General	ETCC	Community Development	Total
Revenues:										
Real property taxes and tax items	\$	\$ 26,156	\$ 1,235	\$ 3,540	\$	\$	\$	\$	\$	\$ 27,391
Sales and use taxes				3,540						3,540
Transfer taxes	11,576									11,576
Intergovernmental	6,622	28		1,445	7,147	72,183			5,437	92,862
Interfund revenues	177									177
Departmental	80	8,699			985	2,109			1,493	13,366
Interest		1,280					1	37		1,318
Miscellaneous	16	265				904				1,185
Total revenues	18,471	36,428	1,235	4,985	8,132	75,196	1	37	6,930	151,415
Expenditures:										
Current:										
General government support			1,235			4,375	145	1,670		7,425
Public safety				3,346		11,664				15,010
Health						11,260				11,260
Transportation	21,134									21,134
Economic assistance and opportunity						50,334			164	50,498
Culture and recreation						475				475
Education						377				377
Home and community service		30,307			8,132	641			6,767	45,847
Capital outlay										
Debt service:										
Principal retirement										
Interest and fiscal charges								506		506
Total expenditures	21,134	30,307	1,235	3,346	8,132	79,126	145	2,176	6,931	152,532
(Deficiency) excess of revenues over expenditures	(2,663)	6,121	0	1,639	0	(3,930)	(144)	(2,139)	(1)	(1,117)
Other financing sources (uses) :										
Issuance of general obligation debt										
Sale of property									1	1
Transfers in	3,304	72				3,930	105	2,139		9,550
Transfers out	(1,056)	(5,114)								(6,170)
Total other financing sources (uses)	2,248	(5,042)	0	0	0	3,930	105	2,139	1	3,381
Net change in fund balances	(415)	1,079	0	1,639	0	0	(39)	0	0	2,264
Fund balances at beginning of year	(2,750)	17,285		329			296			15,160
Fund balances at end of year	\$ (3,165)	\$ 18,364	\$ 0	\$ 1,968	\$ 0	\$ 0	\$ 257	\$ 0	\$ 0	\$ 17,424

COUNTY OF ERIE, NEW YORK
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended December 31, 2007
 (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	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 27,391
Sales and use taxes											3,540
Transfer taxes											11,576
Intergovernmental	1,939	17,030	18,969	1,945	4,593	162				6,700	118,531
Interfund revenues											177
Departmental				74	142					216	13,582
Interest	4,106	1,317	5,423	23		267				290	7,031
Miscellaneous	284		284							0	1,469
Total revenues	<u>6,329</u>	<u>18,347</u>	<u>24,676</u>	<u>2,042</u>	<u>4,735</u>	<u>429</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,206</u>	<u>183,297</u>
Expenditures:											
Current:											
General government support		23	23				1			1	7,449
Public safety											15,010
Health											11,260
Transportation											21,134
Economic assistance and opportunity											50,498
Culture and recreation											475
Education											377
Home and community service											45,847
Capital outlay				19,574	14,422	5,502		386	8,154	48,038	48,038
Debt service:											
Principal retirement	40,172	3,255	43,427								43,427
Interest and fiscal charges	24,465	14,950	39,415								39,921
Total expenditures	<u>64,637</u>	<u>18,228</u>	<u>82,865</u>	<u>19,574</u>	<u>14,422</u>	<u>5,502</u>	<u>1</u>	<u>386</u>	<u>8,154</u>	<u>48,039</u>	<u>283,436</u>
(Deficiency) excess of revenues over expenditures	<u>(58,308)</u>	<u>119</u>	<u>(58,189)</u>	<u>(17,532)</u>	<u>(9,687)</u>	<u>(5,073)</u>	<u>(1)</u>	<u>(386)</u>	<u>(8,154)</u>	<u>(40,833)</u>	<u>(100,139)</u>
Other financing sources (uses) :											
Issuance of general obligation debt						5,374				5,374	5,374
Sale of property											1
Transfers in	59,226		59,226	2,884	600	1,073				4,557	73,333
Transfers out	(431)	(141)	(572)	(12)			(2,874)	(1,859)	(1,275)	(6,020)	(12,762)
Total other financing sources (uses)	<u>58,795</u>	<u>(141)</u>	<u>58,654</u>	<u>2,872</u>	<u>600</u>	<u>6,447</u>	<u>(2,874)</u>	<u>(1,859)</u>	<u>(1,275)</u>	<u>3,911</u>	<u>65,946</u>
Net change in fund balances	487	(22)	465	(14,660)	(9,087)	1,374	(2,875)	(2,245)	(9,429)	(36,922)	(34,193)
Fund balances at beginning of year	15,795	19,962	35,757	35,603	13,003	7,639	4,159	2,105	15,845	78,354	129,271
Fund balances at end of year	<u>\$ 16,282</u>	<u>\$ 19,940</u>	<u>\$ 36,222</u>	<u>\$ 20,943</u>	<u>\$ 3,916</u>	<u>\$ 9,013</u>	<u>\$ 1,284</u>	<u>\$ (140)</u>	<u>\$ 6,416</u>	<u>\$ 41,432</u>	<u>\$ 95,078</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, 2007
 (amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Transfer taxes	\$ 9,500	\$ 9,500	\$ 11,576	\$ 2,076
Intergovernmental	7,450	7,450	6,622	(828)
Interfund revenue			177	177
Departmental	125	125	80	(45)
Miscellaneous	8	8	16	8
Total revenues	<u>17,083</u>	<u>17,083</u>	<u>18,471</u>	<u>1,388</u>
Expenditures:				
Transportation	<u>18,749</u>	<u>20,650</u>	<u>20,260</u>	<u>390</u>
(Deficiency) excess of revenues over expenditures	<u>(1,666)</u>	<u>(3,567)</u>	<u>(1,789)</u>	<u>1,778</u>
Other financing sources (uses):				
Transfers in	3,315	3,304	3,304	
Transfers out	(1,649)	(1,087)	(1,056)	31
Total other financing sources	<u>1,666</u>	<u>2,217</u>	<u>2,248</u>	<u>31</u>
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 0</u>	<u>\$ (1,350)</u>	<u>\$ 459</u>	<u>\$ 1,809</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, 2007
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Real property taxes and tax items	\$ 26,123	\$ 26,123	\$ 26,156	\$ 33
Intergovernmental			28	28
Departmental	8,371	8,371	8,699	328
Interest	399	399	1,280	881
Miscellaneous	149	149	265	116
Total revenues	<u>35,042</u>	<u>35,042</u>	<u>36,428</u>	<u>1,386</u>
Expenditures:				
Home and community services	<u>33,968</u>	<u>33,968</u>	<u>30,810</u>	<u>3,158</u>
Excess of revenues over expenditures	<u>1,074</u>	<u>1,074</u>	<u>5,618</u>	<u>4,544</u>
Other financing sources (uses):				
Transfers in			72	72
Transfers out	<u>(5,788)</u>	<u>(5,818)</u>	<u>(5,114)</u>	<u>704</u>
Total other financing sources (uses)	<u>(5,788)</u>	<u>(5,818)</u>	<u>(5,042)</u>	<u>776</u>
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (4,714)</u>	<u>\$ (4,744)</u>	<u>\$ 576</u>	<u>\$ 5,320</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, 2007
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Real property taxes and tax items	\$ 1,222	\$ 1,235	\$ 1,235	\$
Total revenues	<u>1,222</u>	<u>1,235</u>	<u>1,235</u>	<u>0</u>
Expenditures:				
General government support	<u>1,222</u>	<u>1,235</u>	<u>1,235</u>	
Excess 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, 2007
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Sales and use taxes	\$ 3,666	\$ 3,666	\$ 3,540	\$ (126)
Intergovernmental			1,445	1,445
Total revenues	<u>3,666</u>	<u>3,666</u>	<u>4,985</u>	<u>1,319</u>
Expenditures:				
Public safety	<u>3,861</u>	<u>3,861</u>	<u>3,352</u>	<u>509</u>
Deficiency (excess) of revenues over expenditures	<u>\$ (195)</u>	<u>\$ (195)</u>	<u>\$ 1,633</u>	<u>\$ 1,828</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, 2007
 (amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Intergovernmental	\$	\$ 8,113	\$ 7,147	\$ (966)
Departmental			985	985
Total revenues	<u>0</u>	<u>8,113</u>	<u>8,132</u>	<u>19</u>
Expenditures:				
Home and community service		<u>8,113</u>	<u>8,112</u>	<u>1</u>
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, 2007
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,966	\$ 1,297	\$ 1,939	\$ 642
Interest	1,541	1,541	4,106	2,565
Miscellaneous	223	223	284	61
Total revenues	<u>3,730</u>	<u>3,061</u>	<u>6,329</u>	<u>3,268</u>
Expenditures:				
Current:				
General government support	550	550		550
Debt Service:				
Principal retirement	40,542	40,568	40,172	396
Interest and fiscal charges	25,146	25,011	24,465	546
Total expenditures	<u>66,238</u>	<u>66,129</u>	<u>64,637</u>	<u>1,492</u>
(Deficiency) of revenues over expenditures	<u>(62,508)</u>	<u>(63,068)</u>	<u>(58,308)</u>	<u>4,760</u>
Other financing sources (uses):				
Premium on bond issuance	200	200		(200)
Transfers In	60,147	61,138	59,226	(1,912)
Transfers out		(431)	(431)	
Total other financing sources (uses)	<u>60,347</u>	<u>60,907</u>	<u>58,795</u>	<u>(2,112)</u>
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (2,161)</u>	<u>\$ (2,161)</u>	<u>\$ 487</u>	<u>\$ 2,648</u>

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2007
(amounts expressed in thousands)

	Balance 1/1/2007	Additions	Deductions	Balance 12/31/2007
Assets				
Cash and cash equivalents	\$ 39,832	\$ 552,007	\$ 558,010	\$ 33,829
Receivables:				
Due from other governments	2	5,140	5,142	
Other receivables	23	14,910	14,654	279
Bonds and securities held in custody	155			155
Total assets	<u>\$ 40,012</u>	<u>\$ 572,057</u>	<u>\$ 577,806</u>	<u>\$ 34,263</u>
Liabilities				
Due to other governments	<u>\$ 5,885</u>	<u>\$ 184,262</u>	<u>\$ 190,147</u>	<u>\$</u>
Held in custody for others:				
Court funds	6,693	4,314	2,671	8,336
Mortgage tax	2,901	20,886	20,842	2,945
Social services	5,547	99,720	99,530	5,737
Bail and bid deposits	842	682	681	843
Payroll taxes and withholdings	6,180	213,744	217,746	2,178
Miscellaneous - other	11,964	8,603	6,343	14,224
Total amounts held in custody for others	<u>34,127</u>	<u>347,949</u>	<u>347,813</u>	<u>34,263</u>
Total liabilities	<u>\$ 40,012</u>	<u>\$ 532,211</u>	<u>\$ 537,960</u>	<u>\$ 34,263</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, 2007
 (amounts expressed in thousands)

	<u>Component Unit</u>
Assets	
Cash and cash equivalents	\$ 8,927
Receivables (net of allowances)	
Other	24
Due from other governments	640
Total assets	<u>\$ 9,591</u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 718
Accrued liabilities	1,127
Unearned revenue	1,183
Total liabilities	<u>3,028</u>
Fund Balances	
Reserved for:	
Encumbrances	629
Unreserved, reported in:	
Designated	3,335
Undesignated	2,599
Total fund balances	<u>6,563</u>
Total liabilities and fund balances	<u>\$ 9,591</u>

COUNTY OF ERIE, NEW YORK
 Reconciliation of Statement of Net Assets
 To Component Unit Fund Balance
 For the year ended December 31, 2007
 (amounts expressed in thousands)

	<u>Component Unit</u>
Total Component Unit Fund Balance	\$ 6,563
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	17,369
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(4,194)
Net assets of component unit activities	<u>\$ 19,738</u>

COUNTY OF ERIE, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balance
Component Unit
For the year ended December 31, 2007
(amounts expressed in thousands)

	<u>Component Unit</u>
Revenues:	
Real property taxes and tax items	\$ 22,172
Intergovernmental	3,140
Departmental	884
Interest	72
Miscellaneous	158
	<hr/>
Total revenues	26,426
	<hr/>
Expenditures:	
Current:	
Culture and recreation	24,827
	<hr/>
Total expenditures	24,827
	<hr/>
Excess of revenues over expenditures	1,599
	<hr/>
Net change in fund balances	1,599
	<hr/>
Fund balance at beginning of year	4,964
	<hr/>
Fund balance at end of year	\$ 6,563
	<hr/> <hr/>

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, 2007
 (amounts expressed in thousands)

	Component Unit
Amounts reported for component unit activities in the statement of activities are different because:	
Net change in fund balance - component unit	\$ 1,599
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	\$ 3,464
Donated capital assets	383
Capital assets deleted	(288)
Less current year depreciation	<u>(3,728)</u>
Net adjustment	(169)
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.	(2,035)
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>\$ (396)</u></u>

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2007
(amounts expressed in thousands)

	College Foundation August 31, 2007	Auxiliary Services Corporation August 31, 2007	Total
Assets			
Cash	\$ 351	\$ 848	\$ 1,199
Investments	1,864		1,864
Receivables (net of allowances)		111	111
Inventories		36	36
Prepaid items		2	2
Other assets	245	1,055	1,300
Capital assets			
Other capital assets, net of depreciation	50	672	722
Total assets	<u>2,510</u>	<u>2,724</u>	<u>5,234</u>
Liabilities			
Accounts payable	62	105	167
Accrued liabilities	243	1,055	1,298
Deferred revenue		55	55
Total liabilities	<u>305</u>	<u>1,215</u>	<u>1,520</u>
Net Assets			
Restricted for:			
Other purposes	1,843	25	1,868
Unrestricted	362	1,484	1,846
Total net assets	<u>\$ 2,205</u>	<u>\$ 1,509</u>	<u>\$ 3,714</u>

COUNTY OF ERIE, NEW YORK
Combining Statement of Activities
Other Component Units
For the year ended December 31, 2007
(amounts expressed in thousands)

	College Foundation August 31, 2007	Auxiliary Services Corporation August 31, 2007	Total
Expenses			
Program operations	\$ 1,188	\$ 2,571	\$ 3,759
Total expenses	<u>1,188</u>	<u>2,571</u>	<u>3,759</u>
Program revenues			
Charges for services	160	2,774	2,934
Operating grants and contributions	1,001		1,001
Total program revenues	<u>1,161</u>	<u>2,774</u>	<u>3,935</u>
Net program revenues	(27)	203	176
General revenues			
Interest earnings not restricted to specific programs	151		151
Total general revenues	<u>124</u>	<u>203</u>	<u>327</u>
Change in net assets	124	203	327
Total net assets-beginning	2,081	1,306	3,387
Total net assets-ending	<u>\$ 2,205</u>	<u>\$ 1,509</u>	<u>\$ 3,714</u>

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

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

Contents	Page
Financial Trends.....	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 Six Fiscal Years (1)
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets net of related debt	\$ 414,620	\$ 424,596	\$ 453,359	\$ 422,636	\$ 343,309	\$ 331,821
Restricted	177,749	106,874	118,461	101,205	23,246	23,071
Unrestricted	124,777	42,301	(407,444)	(480,803)	(317,433)	(332,295)
Total governmental activities net asset:	<u>\$ 717,146</u>	<u>\$ 573,771</u>	<u>\$ 164,376</u>	<u>\$ 43,038</u>	<u>\$ 49,122</u>	<u>\$ 22,597</u>
Business-type activities (2)						
Invested in capital assets net of related debt	\$ 23,479	\$ 74,378	\$ 6,670	\$ 6,775	\$ 6,653	\$ 7,930
Restricted	5,485	3,893				
Unrestricted	19,287	(34,002)	6,429	6,759	7,892	(1,488)
Total business-type activities net asset:	<u>\$ 24,772</u>	<u>\$ 44,269</u>	<u>\$ 13,099</u>	<u>\$ 13,534</u>	<u>\$ 14,545</u>	<u>\$ 6,442</u>
Primary government						
Invested in capital assets net of related debt	\$ 438,099	\$ 498,974	\$ 460,029	\$ 429,411	\$ 349,962	\$ 339,751
Restricted	183,234	110,767	118,461	101,205	23,246	23,071
Unrestricted	144,064	8,299	(401,015)	(474,044)	(309,541)	(333,783)
Total primary government net asset:	<u>\$ 765,397</u>	<u>\$ 618,040</u>	<u>\$ 177,475</u>	<u>\$ 56,572</u>	<u>\$ 63,667</u>	<u>\$ 29,039</u>

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 ("GASB") Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." As such, only six 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 the subsequent reporting of ECMCC as a component unit.

The year ended December 31, 2004, was the first year the County's financial statements were prepared in accordance with GASB Statement No. 39, "Determining Whether Certain Certain Organizations Are Component Units."

Source: Erie County Basic Financial Statements

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Primary government:						
Governmental activities:						
General government	\$ 80,900	\$ 94,547	\$ 146,767	\$ 124,393	\$ 86,640	\$ 425,037
Public safety	109,422	118,743	123,046	118,692	128,222	117,687
Health	61,874	70,179	97,512	80,468	110,413	84,283
Transportation	50,801	60,438	55,014	61,850	60,742	61,088
Economic assistance and opportunity	563,179	555,306	607,721	525,492	541,220	574,163
Culture and recreation	29,170	28,431	37,374	20,030	20,278	21,181
Education	48,917	52,548	57,304	62,870	67,310	67,157
Home and community service	44,137	42,528	43,121	44,792	82,954	52,365
Interest and fiscal charges	12,199	15,349	34,630	38,797	49,878	45,938
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>	<u>1,448,899</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	112,765
Nonmajor fund	28,606	35,925	38,051	49,656	50,971	46,747
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>	<u>159,512</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>	<u>\$ 1,608,411</u>
Program Revenues						
Primary government:						
Governmental activities:						
Charges for services:						
General government	\$ 18,414	\$ 18,623	\$ 16,398	\$ 14,196	\$ 20,736	\$ 19,521
Public safety	6,863	8,409	8,607	9,030	8,524	9,600
Health	1,776	2,949	4,289	3,173	4,466	3,506
Transportation	1,616	1,982	1,521	1,103	729	
Economic assistance and opportunity	25,148	28,085	30,363	27,729	26,186	29,495
Culture and recreation	950	1,013	2,592	3,186	3,462	3,265
Education	119	95	95	95	764	95
Home and community service	9,396	10,043	11,679	11,182	10,263	10,863
Operating grants and contributions	359,984	372,664	411,334	418,677	476,963	441,098
Capital grants and contributions	13,867	14,459	12,962	5,421	9,041	6,480
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>	<u>523,923</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	27,327
Nonmajor fund	28,873	36,836	37,763	49,961	51,360	46,905
Operating grants and contributions	24,155	24,552	27,857	30,135	30,471	30,387
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>	<u>104,619</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>	<u>\$ 628,542</u>

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Net (Expense)/Revenue						
Governmental activities	\$ (562,466)	\$ (579,747)	\$ (702,649)	\$ (583,592)	\$ (586,523)	\$ (924,976)
Business-type activities	23,163	(19,490)	(42,704)	(40,927)	(43,234)	(54,893)
Total primary government net expense	<u>\$ (539,303)</u>	<u>\$ (599,237)</u>	<u>\$ (745,353)</u>	<u>\$ (624,519)</u>	<u>\$ (629,757)</u>	<u>\$ (979,869)</u>
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	\$ 223,866
Sales and use taxes	242,031	256,727	256,173	281,019	365,087	656,674
Transfer taxes	8,018	9,250	14,687	11,256	10,720	11,576
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	7,643
Miscellaneous	10,361	7,261	59,335	7,685	14,460	13,200
Gain on sale of capital assets	126	275	941	108	183	921
Special item - transfer of liability	(4,000)					
Transfers	41,852	9,133	13,291	(15,419)	(17,288)	(15,429)
Total governmental activities	<u>482,802</u>	<u>436,372</u>	<u>505,987</u>	<u>462,254</u>	<u>592,607</u>	<u>898,451</u>
Business-type activities: (2)						
Unrestricted state and local appropriations	22,186	24,042	26,089	25,815	27,894	30,233
Unrestricted interest earnings	381	307	201	403	955	1,128
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	15,429
Total business-type activities	<u>(15,361)</u>	<u>15,508</u>	<u>12,813</u>	<u>41,362</u>	<u>44,245</u>	<u>46,790</u>
Total primary government	<u>\$ 467,441</u>	<u>\$ 451,880</u>	<u>\$ 518,800</u>	<u>\$ 503,616</u>	<u>\$ 636,852</u>	<u>\$ 945,241</u>
Change in Net Assets						
Governmental activities	\$ (79,664)	\$ (143,375)	\$ (196,662)	\$ (121,338)	\$ 6,084	\$ (26,525)
Business-type activities	7,802	(3,982)	(29,891)	435	1,011	(8,103)
Total primary government	<u>\$ (71,862)</u>	<u>\$ (147,357)</u>	<u>\$ (226,553)</u>	<u>\$ (120,903)</u>	<u>\$ 7,095</u>	<u>\$ (34,628)</u>

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 six 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 the subsequent reporting of ECMCC as a component unit.

The year ended December 31, 2004, was the first year the County's financial statements were prepared in accordance with GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units."

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund										
Reserved	\$ 47,646	\$ 41,730	\$ 45,679	\$ 44,468	\$ 34,070	\$ 15,579	\$ 15,707	\$ 7,085	\$ 11,723	\$ 12,291
Unreserved	97,155	147,113	156,363	147,614	116,211	90,564	(10,774)	7,323	26,510	35,250
Total general fund	<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>	<u>\$ 47,541</u>
All other governmental funds										
Reserved	\$ 31,962	\$ 52,742	\$ 51,687	\$ 45,705	\$ 105,559	\$ 102,484	\$ 96,829	\$ 67,678	\$ 63,364	\$ 56,895
Unreserved, reported in:										
Special revenue funds	15,296	19,845	15,948	14,868	8,429	8,990	6,988	1,456	7,513	8,417
Debt service fund	12,500	10,813								
Capital project funds	17,549	14,550	217,757	211,915	113,561	41,761	56,411	75,024	58,787	30,277
Total all other governmental fund	<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>\$ 129,664</u>	<u>\$ 95,589</u>

Sources:
Erie County General Purpose Financial Statements 1998-2001
Erie County Basic Financial Statements 2002-2007

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Real property taxes and tax items	\$ 244,779	\$ 234,842	\$ 198,230	\$ 164,082	\$ 165,439	\$ 175,033	\$ 159,001	\$ 171,011	\$ 201,008	213,124
Sales and use taxes	209,786	228,276	239,659	241,814	242,031	256,727	256,173	281,019	365,087	656,674
Transfer taxes	7,179	7,295	7,255	7,360	8,018	9,250	14,687	11,256	10,720	11,576
Intergovernmental	326,477	327,747	324,177	382,255	383,396	393,744	423,443	416,006	478,233	440,722
Interfund revenues	25,157	26,262	28,006	28,893	37,303	40,697	9,876	1,488	250	177
Departmental	59,103	62,262	59,269	60,808	59,241	67,996	72,465	68,549	75,086	76,089
Interest	19,766	18,528	22,918	27,440	23,738	10,944	8,052	14,099	15,083	14,674
Miscellaneous	19,077	25,073	22,902	46,131	15,467	9,847	60,098	7,898	10,608	10,571
Total revenues	<u>911,324</u>	<u>930,285</u>	<u>902,416</u>	<u>958,783</u>	<u>934,633</u>	<u>964,238</u>	<u>1,003,795</u>	<u>971,326</u>	<u>1,156,075</u>	<u>1,423,607</u>
Expenditures										
General government support	83,518	68,936	77,226	74,887	81,164	81,254	97,538	105,998	98,641	368,292
Public safety	82,254	89,283	92,544	101,918	106,929	120,651	119,412	116,455	125,914	117,437
Health	45,218	50,080	53,719	60,838	62,540	71,031	93,095	73,013	72,284	73,355
Transportation	37,483	39,632	40,653	35,448	36,310	37,336	43,274	43,396	41,814	41,755
Economic assistance and opportunity	484,531	516,529	541,517	571,214	584,469	581,186	605,809	524,994	540,667	570,015
Culture and recreation	11,514	16,263	16,273	16,935	18,652	18,243	23,849	17,363	17,577	19,045
Education	36,830	37,362	40,128	43,387	45,893	50,946	55,417	61,137	65,690	65,523
Home and community service	28,089	28,285	31,222	32,889	39,771	38,199	34,182	34,629	77,928	48,198
Capital Outlay	38,771	40,496	57,213	74,334	106,558	148,630	133,815	59,237	75,997	48,038
Debt service:										
Principal retirement	27,535	26,422	25,250	21,452	23,148	24,024	21,988	28,790	36,516	43,427
Interest and fiscal charges	14,319	12,619	10,349	22,977	27,050	29,693	35,068	46,435	46,477	44,200
Total expenditures	<u>890,062</u>	<u>925,907</u>	<u>986,094</u>	<u>1,056,279</u>	<u>1,132,484</u>	<u>1,201,193</u>	<u>1,263,447</u>	<u>1,111,447</u>	<u>1,199,505</u>	<u>1,439,285</u>
Excess of revenues over (under) expenditures	21,262	4,378	(83,678)	(97,496)	(197,851)	(236,955)	(259,652)	(140,121)	(43,430)	(15,678)
Other financing sources (uses) :										
Proceeds of general obligation debt	13,414	26,469	273,125	40,569	63,078	98,011	99,222	103,530	70,205	5,374
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					(5,340)	(16,411)		(318,963)		
Sale of property	170	279	142	134	126	275	941	108	183	966
Intergovernmental transfers in					78,647	44,429				
Transfers in	123,131	138,711	125,283	140,472	90,765	116,207	118,131	326,803	443,821	442,068
Operating transfers from component unit	949	1,057	1,093	1,148						
Transfers out	(110,713)	(105,960)	(83,069)	(102,914)	(127,560)	(151,503)	(94,132)	(342,222)	(461,109)	(457,497)
Operating transfers to component unit	(55)	(252)	(1,053)	(218)	(40)					
Total other financing sources (uses)	<u>26,896</u>	<u>60,304</u>	<u>315,521</u>	<u>79,191</u>	<u>109,979</u>	<u>117,523</u>	<u>131,786</u>	<u>133,526</u>	<u>52,761</u>	<u>(9,089)</u>
Net change in fund balances	<u>\$ 48,158</u>	<u>\$ 64,682</u>	<u>\$ 231,843</u>	<u>\$ (18,305)</u>	<u>\$ (87,872)</u>	<u>\$ (119,432)</u>	<u>\$ (127,866)</u>	<u>\$ (6,595)</u>	<u>\$ 9,331</u>	<u>(24,767)</u>
Debt service as a percentage of non-capital expenditures (1)					4.8%	5.0%	4.9%	7.0%	7.2%	6.3%

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 ("GASB") Statement No. 34, "Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments." As such, debt service as a percentage of non-capital expenditures is only presented for the last six years.

Sources:

Erie County General Purpose Financial Statements 1998-2001
 Erie County Basic Financial Statements 2002-2007

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		
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%
2007	2.81%	1.07%	0.87%	4.75%	4.00%	8.75%

Notes:

(1) Rates in effect on 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, \$92.8 million in 2006 and \$101.8 million in 2007.

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>
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%
2007	23,419,992	9,929,590	33,349,582	2,184,257	31,165,325	6.28	40,477,682	76.99%

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)
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
2007	4.94	1.34	6.28	4.21	18.23	5.33	26.08

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	2007			1998		
	Equalized Full Value	Rank	Percentage of Equalized Full Value (1)	Equalized Full Value	Rank	Percentage of Equalized Full Value (1)
National Fuel Gas	\$ 690,622,297	1	1.71%	\$ 604,520,194	2	1.87%
Niagara Mohawk Power Corp.	548,238,222	2	1.35%	895,719,468	1	2.77%
DDR MDT LLC	304,788,558	3	0.75%			
Verizon New York Inc. (previously Bell Atlantic)	290,810,645	4	0.72%	306,295,188	3	0.95%
Benderson Development Co.	249,951,762	5	0.62%	230,058,029	4	0.71%
N.Y. State Elect. & Gas Corp.	220,614,147	6	0.55%	201,846,965	5	0.62%
Pyramid Company of Buffalo	142,804,478	7	0.35%	110,046,679	7	0.34%
Pennsylvania Lines LLC	78,595,839	8	0.19%			
Wegman's Food Market	72,413,265	9	0.18%			
HSBC Bank USA	70,902,039	10	0.18%			
Consolidated Rail				165,931,256	6	0.51%
DeBartolo Capital				74,237,267	8	0.23%
Bethlehem Steel Corp.				66,222,616	9	0.20%
Manufacturers & Traders Trust Co.				59,522,542	10	0.18%
Totals	\$ 2,669,741,252		6.60%	\$ 2,714,400,204		8.39%

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
1998	\$ 226,286,170	\$ 267,684,809	\$ 493,970,979	\$ 476,020,723	96.37%	\$ 17,735,003	\$ 493,755,726	99.96%
1999	221,666,390	269,025,883	490,692,273	472,702,077	96.33%	17,763,741	490,465,818	99.95%
2000	181,766,441	264,252,917	446,019,358	430,122,427	96.44%	14,516,238	444,638,665	99.69%
2001	152,529,551	272,025,188	424,554,739	411,135,430	96.84%	13,173,931	424,309,361	99.94%
2002	152,529,551	278,036,112	430,565,663	416,506,625	96.73%	13,835,837	430,342,462	99.95%
2003	152,529,551	294,505,821	447,035,372	446,461,743	99.87%	373,254	446,834,997	99.96%
2004	152,529,551	311,903,684	464,433,235	463,669,059	99.84%	235,119	463,904,178	99.89%
2005	157,641,299	335,876,407	493,517,706	492,180,009	99.73%	1,116,815	493,296,824	99.96%
2006	188,094,445	352,486,078	540,580,523	528,350,674	97.74%	4,475,116	532,825,790	98.57%
2007	200,031,205	369,188,266	569,219,471	555,858,355	97.65%		555,858,355	97.65%

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			
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%	218
2002	211,372	26,730	238,102	0.87%	253
2003	285,261	21,988	307,249	1.08%	328
2004	368,760		368,760	1.24%	395
2005	432,749		432,749	1.42%	468
2006	444,701		444,701	1.39%	484
2007	407,047		407,047	N/A	446

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 the subsequent reporting of ECMCC 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 1998-2001
Erie County Basic Financial Statements 2002-2007

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

Fiscal Year	General Net Bonded Debt Outstanding (1,2,3,4)	Percentage of Actual Taxable Value (5) of Property	Per Capita (6)
1998	\$ 187,124	0.74%	200
1999	176,570	0.70%	191
2000	197,020	0.78%	207
2001	205,644	0.77%	218
2002	238,102	0.90%	253
2003	307,249	1.14%	328
2004	368,760	1.34%	395
2005	432,749	1.53%	468
2006	444,701	1.47%	484
2007	407,047	1.31%	446

Notes:

- (1) 2003 to 2007 - Excludes Library Component Unit bonds.
- (2) Does not include sewer bonds which are considered self-supporting debt.
- (3) Excludes ECMCC bond guaranty of \$ 101,375 for 2004-2007.
- (4) Net of resources restricted for principal repayment of general bonded debt.
- (5) See the "Assessed and Equalized Full Value of Taxable Property" schedule on page 113 for property value data.
- (6) See the "Demographic and Economic Statistics" schedule on page 122 for population data.

Sources:

Debt: Erie County General Purpose Financial Statements 1998-2001
 Erie County Basic Financial Statements 2002-2007

COUNTY OF ERIE, NEW YORK
 Direct And Overlapping Governmental Activities Debt
 As of December 31, 2007
 (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	06/30/06	\$ 257,728	100%	\$ 257,728
Towns	12/31/06	167,890	100%	167,890
Villages	05/31/06	16,903	100%	16,903
School districts	06/30/06	1,352,272	100%	1,352,272
Fire districts	12/31/06	14,865	100%	<u>14,865</u>
Subtotal, overlapping debt				1,809,658
County direct debt				<u>524,913</u>
Total direct and overlapping debt				<u>\$ 2,334,571</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 - 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 2007 (1)

Full value (average five-year valuation) (2)	\$ 36,523,172
Debt Limit (7 % of assessed value) (3)	<u>2,556,622</u>
Debt applicable to limit:	
General obligation bonds	\$ 668,358
Less: RAN & Sewer bond exclusions	<u>(143,445)</u>
Total net debt applicable to limit	524,913
Legal debt margin	<u>\$ 2,031,709</u>

Fiscal Year

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$ 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	2,556,622
Total net debt applicable to limit	<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>	<u>524,913</u>
Legal debt margin	<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>	<u>2,031,709</u>
Total net debt applicable to the limit as a percentage of debt limit	10.18%	9.62%	9.66%	9.88%	11.43%	14.43%	21.16%	23.28%	23.04%	20.53%

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 1998-2001
 Erie County Basic Financial Statements 2002-2007

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

Tobacco Securitization Asset Backed Bonds											
Fiscal Year	Tobacco Settlement Revenue	Interest Earnings	Bond Proceeds Restricted for Future Debt Service	Operating Transfer-Out	Carry-forward of Prior Year Fund Balance Restricted for Future Debt Service	Net Proceeds of Refunding Bonds	Less: Operating Expenses	Net Available Resources	Debt Service		Coverage
									Principal	Interest	
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
2007	17,030	1,317		(141)	19,962		(23)	38,145	3,255	14,950	2.10

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 eight years of data is presented.

Source: ETASC Financial Statements 2000-2007

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
1998	933,702	\$ 23,855,152	\$ 25,549	169,372	5.2%
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	945,222	26,898,182	28,457	165,265	4.7%
2002	941,127	27,212,687	28,915	163,323	5.4%
2003	937,770	28,377,858	30,261	158,748	5.8%
2004	933,379	29,731,855	31,854	155,411	5.7%
2005	925,660	30,582,881	33,039	152,169	5.2%
2006	918,339	31,945,340	34,786	150,174	5.0%
2007	913,338	N/A	N/A	155,280	4.6%

Note:

N/A = Not available

Sources:

Population: The 1998 to 1999 and 2001 to 2007 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 1998-1999 to 2007-2008 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>2007</u>			<u>1998</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	16,608	1	3.74%	9,928	3	2.22%
Kaleida Health (previously CGF Health System)	10,000	2	2.25%	6,768	4	1.51%
U.S. Government	9,500	3	2.14%	13,000	1	2.91%
City of Buffalo	8,626	4	1.94%	10,417	2	2.33%
HSBC Bank USA, N.A. (previously Marine Midland Bank, N.A.)	5,848	5	1.32%	4,546	7	1.02%
Catholic Health System	4,949	6	1.11%	5,502	6	1.23%
Employer Services Corp.	4,880	7	1.10%			
M & T Bank	4,820	8	1.09%			
Tops Markets Inc.	4,673	9	1.05%	4,442	8	0.99%
County of Erie (1)	4,220	10	0.95%	6,247	5	1.40%
General Motors Corporation				4,000	9	0.90%
Catholic Diocese of Buffalo				3,900	10	0.87%
Total	<u>74,124</u>		<u>16.69%</u>	<u>68,750</u>		<u>15.38%</u>

Note:

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

Sources:

- Erie County employment - Erie County Comptroller's Office
- 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)
 Last Four Fiscal Years (2)

<u>Function</u>	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government support	881	631	668	671
Public safety	1,276	1,149	1,172	1,091
Health	397	300	305	300
Transportation	239	146	150	153
Economic assistance and opportunity	1,699	1,481	1,569	1,624
Culture and recreation	165	97	104	99
Education	47	40	36	35
Home and community service	261	230	244	247
Total	<u>4,965</u>	<u>4,074</u>	<u>4,248</u>	<u>4,220</u>

Notes:

(1) Excludes Erie Community College.

(2) A new enterprise software system was implemented in 2004. Data from the prior system is not readily available.

Source: Erie County Comptroller's Office

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

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government support										
Major construction projects successfully completed	25	26	25	27	31	30	33	20	6	4
Automobile registrations processed by County Clerk	525,000	391,073	310,761	306,816	321,624	322,000	317,489	202,071	213,558	223,379
Cases prosecuted by the District Attorney's Office	49,975	50,263	48,968	56,255	57,569	54,838	50,895	53,015	55,010	51,718
Public safety										
Sheriff's calls for service	75,443	72,721	71,596	66,137	66,000	65,083	66,850	62,909	77,257	81,257
Vehicle and traffic arrests	13,474	11,976	12,464	14,212	15,250	12,950	13,963	7,410	7,694	9,194
Inmate population-Holding Center (average per day)	866	877	832	561	599	547	594	562	584	555
Inmate population-Correctional Facility (average per day)	747	772	756	803	911	873	925	917	924	914
Probation cases-supervised	7,367	6,145	8,617	8,162	8,482	8,486	7,803	9,200	9,640	11,705
Fire personnel trained	6,000	6,500	7,200	6,000	6,200	6,800	6,800	6,800	6,800	7,000
Health										
Patient visits - pediatric care	8,595	7,810	7,422	7,367	6,028	5,377	5,219	3,528	3,013	3,030
Persons served by Mental Health agencies (per month)	32,231	34,047	33,898	33,819	33,822	35,195	31,881	30,096	33,217	34,741
Transportation										
Bridges Inspected	282	150	282	78	220	71	240	85	246	71
Miles of roads receiving surface treatment	86	110	110	110	47	140	100	120	106	142
Economic assistance and opportunity										
Home Energy Assistance Program payments processed	69,154	69,550	105,200	136,397	105,200	113,200	116,575	138,777	120,000	108,909
Number of clients enrolled in Medicaid Managed Care Programs	48,395	58,050	64,300	60,800	62,529	69,935	72,485	73,047	69,434	66,755
Senior services home care to frail elderly (hours)	N/A	76,986	78,904	76,716	77,344	90,479	84,801	63,781	119,076	119,426
Culture and recreation										
Park attendance	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	1,755,000
Rounds of golf played	111,244	107,158	95,588	102,499	83,672	79,481	83,401	85,005	62,187	68,215
Education										
Children with special needs receiving service	2,881	3,012	3,191	3,384	3,664	4,231	4,666	5,263	4,549	4,577
Home and community service										
Sewer flow per day (millions of gallons)	38	36	42	39	45	41	44	43	45	43

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 Six 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>	<u>2007</u>
Public safety						
Emergency communication stations	2	2	1	1	1	1
Training centers operated by the County	3	3	3	3	3	3
Correctional facilities	1	1	1	1	1	1
Holding centers	1	1	1	1	1	1
Health						
Hospital	1	1	0	0	0	0
Home and Infirmary	1	1	0	0	0	0
Health Department clinics / in County-owned buildings	11 / 5	11 / 5	11 / 5	11 / 5	11 / 5	11 / 5
Transportation						
Miles of roads	1,172	1,200	1,200	1,200	1,180	1,168
Highway maintenance facilities	11	10	5	5	5	5
Culture and recreation						
Parks	19	19	19	19	19	19
Park Acreage	10,657	10,657	10,657	10,657	10,657	10,657
Golf Courses	2	2	2	2	2	2
Education						
Erie Community College campuses	3	3	3	3	3	3
Erie Community College full-time student headcount (3)	6,970	7,451	7,961	8,215	8,198	8,228
Erie Community College library volumes	160,605	159,408	149,039	139,757	145,174	146,574
Home and community service						
Miles of sanitary sewer	817	698	703	708	821	928
Miles of storm sewer	47	47	47	47	47	47
Pumping stations	79	77	77	77	94	100
Grinder pumps	430	453	462	462	462	463

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 six 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 County Departments