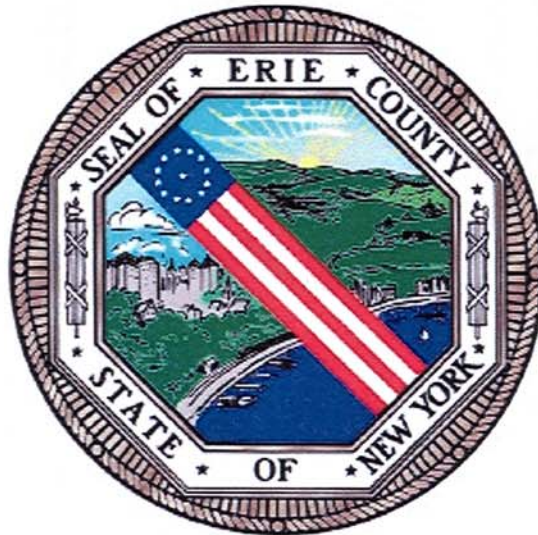


**COUNTY OF ERIE
NEW YORK**

Comprehensive Annual Financial Report



For the Year Ended December 31, 2008

MARK C. POLONCARZ

Erie County Comptroller

COUNTY OF ERIE, NEW YORK

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**For the Year Ended
December 31, 2008**

**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, 2008

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 Governmental Funds Balance Sheet to Statement of Net Assets	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
Required Supplementary Information:	
Schedule of Funding Progress	82
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	86-87
Combining Statement of Revenues, Expenditures and Changes	
in Fund Balances – Nonmajor Governmental Funds.....	88-89
Schedules of Revenues, Expenditures and Changes in	
Fund Balances – Budget and Actual (Non-GAAP Basis of Accounting):	
Road Special Revenue Fund.....	90
Sewer Special Revenue Fund	91
Downtown Mall Special Revenue Fund.....	92
E-911 Special Revenue Fund	93
Emergency Response Special Revenue Fund.....	94
Debt Service Fund.....	95

COUNTY OF ERIE, NEW YORK
TABLE OF CONTENTS (Concluded)
FOR THE YEAR ENDED DECEMBER 31, 2008

FINANCIAL SECTION (Concluded)

	<u>Page</u>
Combining and Individual Fund Statements and Schedules: (Concluded)	
Statement of Changes in Assets and Liabilities – Agency Fund	98
Library Component Unit:	
Balance Sheet - Component Unit	100
Reconciliation of Statement of Net Assets to Component Unit Fund Balance.....	101
Statement of Revenues, Expenditures and Changes in Fund Balance – Component Unit	102
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Component Unit to the Statement of Activities.....	103
Other Component Units:	
Combining Statement of Net Assets – Other Component Units.....	106
Combining Statement of Activities – Other Component Units	107

STATISTICAL SECTION

Net Assets by Component – Last Seven Fiscal Years	109
Changes in Net Assets - Last Seven Fiscal Years	110-111
Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	112
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	113
Direct Sales Tax Rates – Last Ten Fiscal Years.....	114
Assessed and Equalized Full Value of Taxable Property – Last Ten Fiscal Years	115
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	116
Principal Taxpayers – Current Year and Nine Years Ago.....	117
Property Tax Levies and Collections – Last Ten Fiscal Years	118
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	119
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years.....	120
Direct and Overlapping Government Activities Debt – As of December 31, 2008	121
Legal Debt Margin Information – Last Ten Fiscal Years.....	122
Pledged Revenue Coverage – Last Nine Fiscal Years.....	123
Demographic and Economic Statistics – Last Ten Calendar Years.....	124
Principal Employers – Current Year and Nine Years Ago.....	125
Full-time County Government Employees by Function – Last Five Fiscal Years.....	126
Operating Indicators by Function/Program – Last Ten Fiscal Years.....	127
Capital Asset Statistics by Function – Last Seven Fiscal Years	128

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, 2009

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, 2008 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, 2008. 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 2008 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 2007, in association with the ECFSA-required four-year financial plan, the County Executive presented his 2008 Budget to the Legislature for action. On December 4, 2007, the County Legislature approved the 2008 Budget with slight amendments, and the County Executive declined to veto the amendments. The Adopted 2008 Budget did not increase the countywide property tax rate.

On November 3, 2006, citing their belief that the County's 2006-2009 four-year financial plan was not balanced, ECFSA declared a control period for the remainder of the 2006 fiscal year. Subsequently, ECFSA declared further control periods during/for the County's 2007 and 2008 fiscal years citing their belief that the County's 2007 and 2008 budgets were not balanced and/or the County's four-year financial plan(s) was not balanced. County officials disputed ECFSA contentions regarding alleged deficits in the annual budgets. Ultimately, the General Fund reported a \$9.3 million surplus for the year-ended December 31, 2007 and a \$10.7 surplus for the year-ended December 31, 2008.

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, particularly in 2008 as the area began to experience the effects of the recession. The County's unemployment rate was 5.8 percent in 2008, 4.8 percent in 2007, 5.0 percent in 2006, 5.2 percent in 2005 and 5.7 percent in 2004. Total non-farm employment was 551,800 in the Buffalo-Niagara Falls Metropolitan Statistical Area in 2008, up from 547,600 in 2007.

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 is expected to provide a huge beneficial impact to the region. The demolition of the Buffalo Memorial Auditorium is nearly complete, a major component of the Inner Harbor redevelopment initiative. In 2005 the County issued \$14 million of bonds for infrastructure improvements associated with the Inner Harbor project.

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, 2007 and the first half of 2008, the County's sales tax revenue reflected positive growth notwithstanding the State Legislature-imposed requirement starting in 2007 mandating the County share an additional \$12.5 million of sales tax annually with local municipalities above the previous sharing agreements. Starting in late 2008, reflecting national and regional trends, County sales tax receipts began to decline.

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 \$69 million since 1999 to the 2008 amount of \$191.2 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.

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, 2008, were 1.13 percent and \$400 respectively, based on net general bonded debt of \$364,345,000.

The County's current bond rating, as assigned by rating agencies, is as follows: Moody's: Baa2 (stable outlook); Fitch: BBB+ (stable outlook); and Standard & Poor's: BBB+ (stable outlook). These ratings reflect upgrades by all three agencies in August 2008, February 2009 and July 2008, respectively.

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 2008, the Comptroller's Office made a total of 3,261 investments, and the weighted average yield for such investments was 2.70 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, 2007. 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

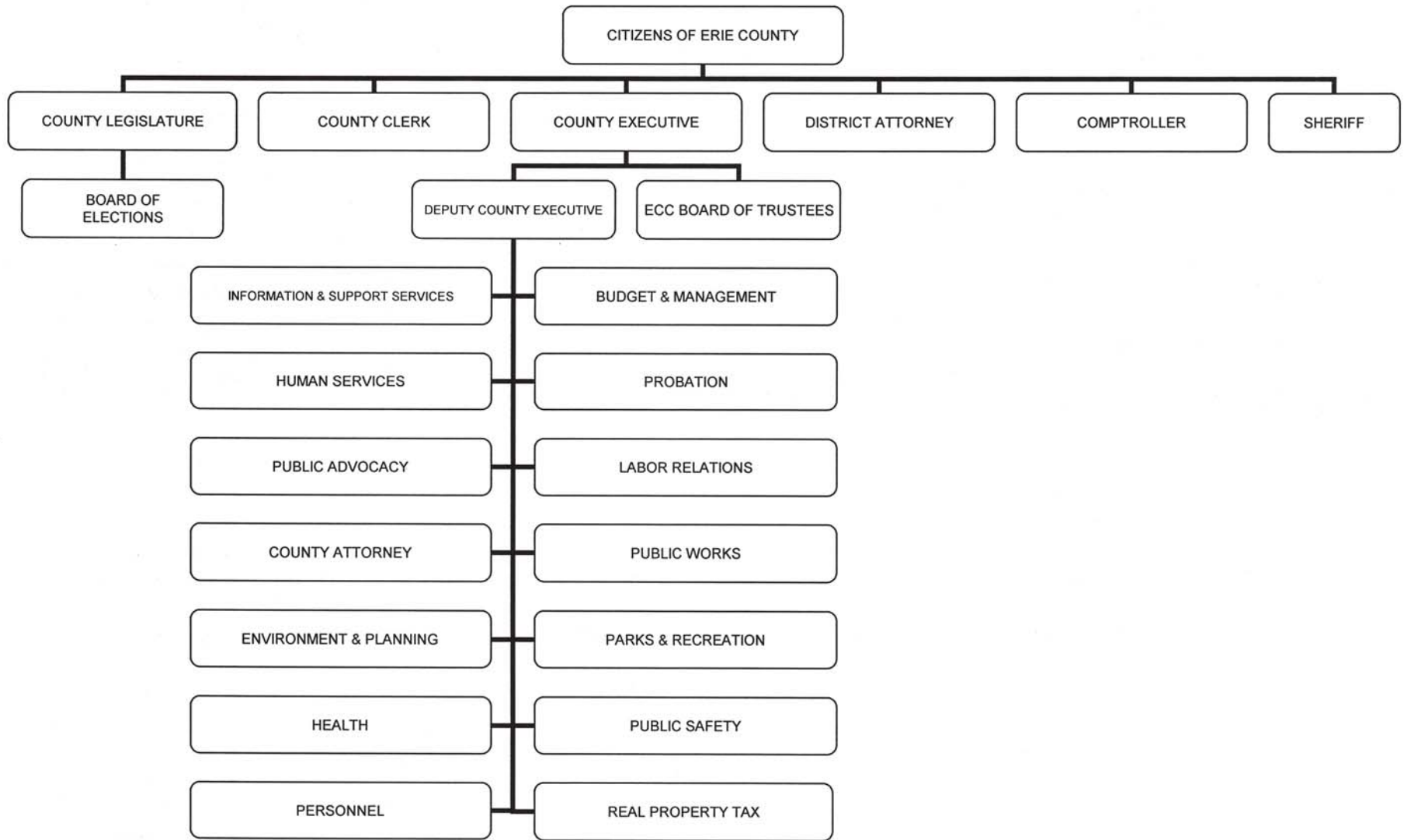
COUNTY OF ERIE, NEW YORK
SUMMARY OF ELECTED OFFICIALS
December 31, 2008

COUNTY CLERK	COUNTY EXECUTIVE	DISTRICT ATTORNEY	SHERIFF	COUNTY COMPTROLLER
Kathleen C. Hochul	Chris Collins	Frank J. Clark	Timothy B. Howard	Mark C. Poloncarz

ERIE COUNTY LEGISLATORS

District No. 1	Daniel M. Kozub	District No. 9	Timothy M. Wroblewski
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	Edward Rath III
District No. 8	Thomas J. Mazur		

ERIE COUNTY ORGANIZATIONAL CHART



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, 2007

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.



A handwritten signature in black ink, appearing to read "M. L. R. +".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

FINANCIAL SECTION

This section contains the following:

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

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, 2008, 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 (whose year end is August 31, 2008), which represent 3.5% and 3.9%, 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 3.7% and 27.4%, respectively, of the assets and revenues of the governmental activities. We did not audit the financial statements of Erie County Medical Center Corporation (ECMCC), 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 component units, Erie Community College, and Erie County Fiscal Stability Authority, 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 financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2008, 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.

The management's discussion and analysis and the schedule of funding progress as listed on pages 3 through 12 and page 82 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 required 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 financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. This supplementary information is the responsibility of management. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

June 29, 2009

COUNTY OF ERIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

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, 2008, and incorporates financial information from the year ended December 31, 2007 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 2008 fiscal year by \$14,567 (*net assets*). This consists of \$18,979 restricted for specific purposes (*restricted net assets*), \$341,552 invested in capital assets, net of related debt, and a deficit in unrestricted net assets of \$345,964, at December 31, 2008.
- The primary government's total net assets decreased by \$14,472. Governmental activities decreased the County's net assets by \$13,182. Business type activities decreased the County's net assets by \$1,290.
- As of December 31, 2008, the County's governmental funds reported combined fund balances of \$124,116, a decrease of \$19,014 in comparison with the prior year. Approximately 34.2% of the total combined governmental funds fund balance, \$42,394, 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 \$49,830 or 85.6% of the total general fund fund balance of \$58,191. Total unreserved designated general fund fund balance was \$4,441 at December 31, 2008.
- The total bonded debt of the primary government decreased by \$51,479 or 6.4% during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the County's basic financial statements. The County's basic financial statements include three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. In addition to the basic financial statements, required supplementary information is included.

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, 2008

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, 2008

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

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

The 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 required supplementary information.

COUNTY OF ERIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

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 \$14,567 at the close of the most recent fiscal year.

Summary of Erie County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 402,736	\$ 427,368	\$ 37,655	\$ 35,917	\$ 440,391	\$ 463,285
Capital Assets	<u>780,016</u>	<u>798,082</u>	<u>11,141</u>	<u>7,930</u>	<u>791,157</u>	<u>806,012</u>
Total assets	<u>1,182,752</u>	<u>1,225,450</u>	<u>48,796</u>	<u>43,847</u>	<u>1,231,548</u>	<u>1,269,297</u>
Long-term liabilities	917,350	933,048	20,892	16,554	938,242	949,602
Other liabilities	<u>255,987</u>	<u>269,805</u>	<u>22,752</u>	<u>20,851</u>	<u>278,739</u>	<u>290,656</u>
Total liabilities	<u>1,173,337</u>	<u>1,202,853</u>	<u>43,644</u>	<u>37,405</u>	<u>1,216,981</u>	<u>1,240,258</u>
Net assets:						
Invested in capital assets, net of related debt	330,411	331,821	11,141	7,930	341,552	339,751
Restricted	18,979	23,071			18,979	23,071
Unrestricted	<u>(339,975)</u>	<u>(332,295)</u>	<u>(5,989)</u>	<u>(1,488)</u>	<u>(345,964)</u>	<u>(333,783)</u>
Total net assets	<u>\$ 9,415</u>	<u>\$ 22,597</u>	<u>\$ 5,152</u>	<u>\$ 6,442</u>	<u>\$ 14,567</u>	<u>\$ 29,039</u>

A significant portion of the County's net assets at December 31, 2008, \$341,552, 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, \$18,979, 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 \$345,964, 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-two 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 \$339,975 and \$5,989 respectively at December 31, 2008.

The County's net assets decreased by \$14,472 during the 2008 fiscal year, as further explained in the next section.

COUNTY OF ERIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

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	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues						
Charges for services	\$ 79,649	\$ 76,345	\$ 74,483	\$ 74,232	\$ 154,132	\$ 150,577
Operating grants and contributions	402,443	441,098	31,181	30,387	433,624	471,485
Capital grants and contributions	8,661	6,480			8,661	6,480
General revenues						
Property taxes	239,333	223,866			239,333	223,866
Sales and use taxes	667,783	656,674			667,783	656,674
Transfer taxes	8,901	11,576			8,901	11,576
State and local appropriations			32,524	30,233	32,524	30,233
Non-operating revenue						
Unrestricted interest earnings	3,994	7,643	663	1,128	4,657	8,771
Miscellaneous and other	9,331	14,121			9,331	14,121
Total revenues	1,420,095	1,437,803	138,851	135,980	1,558,946	1,573,783
Expenses:						
General government	418,986	425,037			418,986	425,037
Public safety	118,220	117,687			118,220	117,687
Health	85,091	84,283			85,091	84,283
Transportation	65,292	61,088			65,292	61,088
Economic assistance and opportunity	537,650	574,163			537,650	574,163
Culture and recreation	29,910	21,181			29,910	21,181
Education	66,883	67,157			66,883	67,157
Home and community service	52,299	52,365			52,299	52,365
Interest and fiscal charges	41,784	45,938			41,784	45,938
College			112,401	112,765	112,401	112,765
Purchase and resale of utilities			44,902	46,747	44,902	46,747
Total expenses	1,416,115	1,448,899	157,303	159,512	1,573,418	1,608,411
Excess (deficiency) before transfers	3,980	(11,096)	(18,452)	(23,532)	(14,472)	(34,628)
Transfers	(17,162)	(15,429)	17,162	15,429	0	0
Change in net assets	(13,182)	(26,525)	(1,290)	(8,103)	(14,472)	(34,628)
Net assets - beginning	22,597	49,122	6,442	14,545	29,039	63,667
Net assets - ending	\$ 9,415	\$ 22,597	\$ 5,152	\$ 6,442	\$ 14,567	\$ 29,039

COUNTY OF ERIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concluded)

Governmental activities

Governmental activities decreased the County's net assets by \$13,182 or 58.3%. Revenues and expenses decreased by \$17,708 (1.2%) and \$32,784 (2.3%) respectively, and net transfers out increased \$1,733 (11.2%) from 2007 to 2008. Key elements of this decrease are as follows:

- The \$11,109 (1.7%) increase in the sales and use taxes category was primarily the result of sales tax growth (\$10,425) due in part to higher than expected fuel prices and strong local sales to Canadian consumers taking advantage of the stronger Canadian dollar before these market trends changed later in 2008.
- Revenue from property taxes increased by \$15,467 (6.9%). Increases to the total tax levy (\$15,416) accounted for most of the increase.
- Transfer tax revenue decreased \$2,675 (23.1%) as a result of declining real estate sales during the year.
- Operating grants and contributions decreased by \$38,655 (8.8%) during the year. Most of this decrease (\$34,253) was attributable to Home Energy Assistance Program (HEAP) revenues no longer being received by the County. Payments for the majority of this 100% reimbursable program became the responsibility of New York State beginning October 1, 2007.
- Economic Assistance and Opportunity expense decreased by \$36,513 (6.4%) primarily as a result of the aforementioned transfer of the HEAP program to New York State.
- Culture and recreation expenses increased by \$8,729 (41.2%) primarily as a result of a one-time subsidy to the Library component unit (\$1,600) and an increase in non-capitalized asset purchases under the established capital asset thresholds (\$6,625). Most of the latter (\$7,000) was expended as capital outlay to remediate and remove asbestos and other hazardous materials from the Buffalo Memorial Auditorium, an asset not owned by the County, as part of demolition for future economic development.

Business-type activities

Business-type activities decreased the County's net assets by \$1,290 compared to a decrease of \$8,103 in 2007. The College generated decreases in net assets of \$1,863 and \$8,261 for the years ended August 31, 2008 and 2007, respectively. The operating loss at August 31, 2008 was less than the operating loss at August 31, 2007 by \$2,823 as operating revenues generated increased \$2,475 and operating expenses decreased \$348. Revenues generated during the fiscal year ended August 31, 2008 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, 2008 was \$17,162 and is reported as a 2008 operating transfer to the College from the County's General (\$15,421) and Special Capital (\$1,741) funds.

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

COUNTY OF ERIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

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, 2008, the County's governmental funds reported combined fund balances of \$124,116, a decrease of \$19,014 in comparison with the prior year. Approximately 34.2% of the combined fund balances, \$42,394, 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 (\$42,009); (2) to pay debt service (\$34,793); (3) to reflect prepaid items and loans that are long-term in nature and thus do not represent available spendable resources (\$3,183); and (4) for a variety of other restricted purposes (\$1,737).

The General Fund is the chief operating fund of the County. At December 31, 2008, unreserved fund balance of the General Fund was \$49,830 while total fund balance was \$58,191. 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 4.3% of total expenditures (excluding other financing uses), while total fund balance represents 5.0% of that same amount.

Fund balance in the County's General Fund increased by \$10,650 during the 2008 fiscal year compared to 2007 when the General Fund experienced an increase of \$9,308. Key factors in this \$1,342 change were as follows:

- Revenues from real property taxes increased by \$13,177 due mainly to an increase in the property tax levy.
- Sales and use taxes revenue decreased by \$7,137. This was primarily due to reporting \$12,500 for sales tax ultimately disbursed to local municipalities as revenue in 2007, and as a transfer in from the ECSFA in 2008. An offsetting amount is recognized as an increase in the transfers in category. Increases of \$5,363 were due to sales tax growth (\$4,769); hotel occupancy tax related items (\$425); off-track pari-mutuel tax (\$152) and video lottery terminal aid (\$17).
- Interest revenue decreased by 48.2% or \$3,371 due to a decrease in the interest rates available to the County.

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

- Total expenditures increased by \$9,740 (0.8%) primarily in the health (\$5,617) and culture and recreation (\$2,046) categories mainly for increased retiree health insurance costs and contractual services, and increased subsidy to the Library component unit respectively.

The change in net other financing sources of \$3,150 was comprised principally of:

- An increase in transfers in from the ECSFA for sales tax growth (\$5,656) and for payments to other municipalities (\$12,500) referred to in the revenue discussion above in this section; and
- An increase in subsidies to the debt service (\$6,349), road (\$6,045), Erie Community College (\$1,850), and grant (\$400) funds. Other transfers out decreased by \$68.

The Road Special Revenue Fund, an other governmental fund of the County, reported a deficit fund balance of \$3,891 at December 31, 2008. At December 31, 2007, the ending deficit fund balance was \$3,165. The Highways, Roads, Bridges and Equipment Capital Projects Fund and the Special Capital Projects Fund, which also are reported as other governmental funds of the County, had deficit fund balances of \$3,753 and \$3,789 respectively at December 31, 2008. Primarily, this was the cumulative result of the County's non-issuance of

COUNTY OF ERIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Concluded)

general obligation bonds for these funds since 2006. Cash to enable selected projects to progress has been advanced from the County's General Fund. Future revenues, other financing sources or transfers are expected to remediate all of these deficit fund balances.

The County's E-911 Special Revenue Fund increased by \$559 during the year over the fiscal 2007 ending balance. Lower than anticipated utility, contractual services and equipment expenditures accounted for most of the increase.

The County's Buildings, Equipment and Improvements fund balance decreased by \$11,155 during the year (53.3%). The primary factor creating this decrease was that yearly capital outlay (\$14,694) exceeded intergovernmental and other revenues by \$12,344. There were no general obligation bonds issued for this fund during 2008.

The Sewers, Facilities, Equipment and Improvements Fund ending fund balance decreased by \$4,117 (45.7%) mainly as a result of capital outlays with no general obligation bonds issued during the year.

The Tobacco Proceeds fund balance decreased by \$692 (53.9%) to a year end balance of \$592 as a result of transfers out to fund capital project expenditures in other capital project funds.

The ECMCC Capital Projects Fund decreased by \$1,913 (29.8%) mainly as a result of \$1,813 expended for 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 an unrestricted net assets deficit of \$8,324 at August 31, 2008.

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 8/31/2008	Utilities Aggregation	<u>Total</u>
Operating revenues	\$ 60,189	\$ 45,475	\$ 105,664
Operating expenses	<u>112,356</u>	<u>44,902</u>	<u>157,258</u>
Operating loss	(52,167)	573	(51,594)
Non-operating revenues , net	<u>33,142</u>	<u> </u>	<u>33,142</u>
Net (loss) income before contributions and transfers	(19,025)	573	(18,452)
Transfers	<u>17,162</u>	<u> </u>	<u>17,162</u>
Change in net assets	<u>\$ (1,863)</u>	<u>\$ 573</u>	<u>\$ (1,290)</u>

The net loss before contributions and transfers of enterprise funds of \$18,452 is comprised of a net loss of \$19,025 for the College and net income of \$573 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, 2008

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 \$367,854 decrease in total budgeted revenues between the original and final budget. The main component of the net decrease is the reclassification of \$386,851 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 \$387,247, primarily for the sales and use taxes reclassification referred to in the previous paragraph, and an additional \$396 for the sale of property.

Budgeted appropriations and other financing uses increased by \$25,395. Budgeted expenditures increased in public safety (\$29,463) primarily for reclassifications of fringe benefits from general government support, and health (\$17,588), primarily for reclassifications of fringe benefits from general government support (\$13,637) and contractual services (\$3,219). Economic assistance and opportunity budgeted appropriations increased by a total of \$30,859, primarily for reclassifications of fringe benefits from general government support (\$30,685), mandated disproportionate share program payments for the benefit of ECMCC (\$8,290), and Medicaid (\$7,112) with decreases to various social service programs (\$9,696), salaries (\$3,745) and contractual services (\$1,291). These increases were partially offset by budgeted expenditure decreases in general government support (\$63,285), due to reclassifications in the County-wide fringe benefit accounts to other functions (\$77,038) net of increases for sales tax to other municipalities (\$5,493) and risk retention (\$2,000). The total favorable budget to actual variance for the year amounted to \$16,871.

For the year, actual revenues were less than budget by \$26,081. A negative budgetary variance in intergovernmental revenue amounted to \$25,240 mostly as a result of reduced reimbursable expenditures for social services (\$15,262), mental health (\$5,265) and health (\$3,622) programs. Interest income was \$2,608 less than budgeted as a result of lower than expected interest rates. A budgeted tax lien sale did not occur, accounting for most of the negative variance in the real property taxes and tax items category (\$6,944). Miscellaneous revenue experienced a positive variance (\$3,747) primarily due to cancellation of prior year liabilities for social services programs.

Actual expenditures were less than budget by \$42,524 primarily due to savings in various categories as follows: economic assistance and opportunity (\$12,945), principally for salaries and fringes and program expenditures; general government support (\$9,432), mainly for salaries and fringes and other departmental expenditures; health (\$6,394) chiefly for various health related programs ; and public safety (\$6,177) mostly for salaries and fringes.

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, 2008, amounted to \$791,157 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and improvements, improvements other than buildings, equipment, College library collections, and construction in progress. The total decrease in the County's investment in capital assets for the current period was 1.8%.

Major capital asset events during the current fiscal year included the addition of sewer network assets of \$8,334. Depreciation on buildings and improvements exceeded additions by \$14,080.

COUNTY OF ERIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

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	
	2008	2007	2008	2007	2008	2007
Land	\$ 29,997	\$ 29,994	\$	\$	\$ 29,997	\$ 29,994
Buildings and Improvements	258,732	272,812	5,996	1,222	264,728	274,034
Improvements other than Buildings	16,148	16,594	53	56	16,201	16,650
Sewer and Transportation Networks	402,212	410,299			402,212	410,299
Machinery and Equipment	40,021	47,016	3,366	4,085	43,387	51,101
Library Collections			1,294	1,298	1,294	1,298
Construction in Progress	32,906	21,367	432	1,269	33,338	22,636
Total	<u>\$ 780,016</u>	<u>\$ 798,082</u>	<u>\$ 11,141</u>	<u>\$ 7,930</u>	<u>\$ 791,157</u>	<u>\$ 806,012</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, 2008, the primary government had total bonded debt outstanding of \$754,642 as compared to \$806,121 in the prior year. During the year, payments and other reductions of debt amounted to \$51,565. Additions, accretions and other adjustments amounted to \$86.

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 \$2,680,794, which is only 17.9% exhausted by the County's outstanding general obligation debt of \$480,620 (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: Baa2 (stable outlook); Fitch: BBB+ (stable 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.

SUBSEQUENT EVENTS

As further described in Note XVIII on page 80 of this report, the County issued Bond Anticipation Notes on May 20, 2009, and the ECFA reverted to an advisory status with limited control and oversight powers over County finances on June 2, 2009.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

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COUNTY OF ERIE, NEW YORK
Statement of Net Assets
December 31, 2008
(amounts expressed in thousands)

	Primary Government			Component Units		
	Governmental Activities	Business - Type Activities	Total	Library	ECMCC	Other
ASSETS						
Cash and cash equivalents	\$ 66,983	\$ 26,772	\$ 93,755	\$ 10,168	\$ 58,344	\$ 1,170
Investments	20,435		20,435		69,187	1,763
Restricted cash and cash equivalents					62,607	
Receivables (net of allowances)	306,632	7,694	314,326	1,141	77,962	104
Due from primary government					3,315	
Due from component unit	1,209	4,100	5,309			
Internal balances	1,749	(911)	838			
Inventories					4,192	44
Prepaid items	1,678		1,678	349	1,677	2
Other assets	4,050		4,050		3,033	1,334
Capital assets						
Land, rare books and construction in progress	62,903	432	63,335	11,014	102	
Other capital assets, net of depreciation	717,113	10,709	727,822	6,446	73,743	672
Total assets	1,182,752	48,796	1,231,548	29,118	354,162	5,089
LIABILITIES						
Accounts payable	50,522	6,026	56,548	695	20,731	186
Accrued liabilities	80,862	3,767	84,629	1,311	63,829	1,409
Due to component unit	3,315		3,315			
Due to primary government					5,310	
Unearned revenue	45,985	11,099	57,084	1,507		7
Short-term debt	75,303		75,303			
Long-term liabilities						
Due within one year	69,012	2,384	71,396	861	2,070	
Due in more than one year	848,338	20,368	868,706	5,918	142,248	
Total liabilities	1,173,337	43,644	1,216,981	10,292	234,188	1,602
NET ASSETS (DEFICIT)						
Invested in capital assets, net of related debt	330,411	11,141	341,552	17,460	(7,030)	
Restricted for:						
Capital projects					14,795	
Debt service	17,430		17,430		10,112	
Public safety	1,476		1,476			
Other purposes	73		73		541	1,557
Unrestricted (Deficit)	(339,975)	(5,989)	(345,964)	1,366	101,556	1,930
Total net assets	\$ 9,415	\$ 5,152	\$ 14,567	\$ 18,826	\$ 119,974	\$ 3,487

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK
Statement of Activities
For the year ended December 31, 2008
(amounts expressed in thousands)

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE and CHANGES IN NET ASSETS					
	Expenses	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	\$ 418,986	\$ 21,113	\$ 19,030	\$ 1,708	\$ (377,135)	\$ (377,135)	\$	\$	\$	
Public safety	118,220	7,290	7,039		(103,891)	(103,891)				
Health	85,091	3,717	67,233		(14,141)	(14,141)				
Transportation	65,292		7,488	5,056	(52,748)	(52,748)				
Economic assistance and opportunity	537,650	34,237	242,440		(260,973)	(260,973)				
Culture and recreation	29,910	3,267	1,237		(25,406)	(25,406)				
Education	66,883	95	37,306	1,897	(27,585)	(27,585)				
Home and community service	52,299	9,930	16,608		(25,761)	(25,761)				
Interest and fiscal charges	41,784		4,062		(37,722)	(37,722)				
Total governmental activities	1,416,115	79,649	402,443	8,661	(925,362)	(925,362)				
Business-type activities:										
Community College (August 31, 2008)	112,401	29,008	31,181			(52,212)				
Purchase and resale of utilities	44,902	45,475				573				
Total business-type activities	157,303	74,483	31,181	0		(51,639)				
Total primary government	\$ 1,573,418	\$ 154,132	\$ 433,624	\$ 8,661	(925,362)	(51,639)	(977,001)			
Component unit:										
Library	\$ 29,407	\$ 1,088	\$ 3,321	\$				(24,998)		
ECMCC	397,211	352,357	6,265	1,696					(36,893)	
Other component units	3,861	2,853	879							(129)
Total component units	\$ 430,479	\$ 356,298	\$ 10,465	\$ 1,696				(24,998)	(36,893)	(129)
General revenues:										
Property taxes levied for mall, sewer, and general purposes					239,333		239,333			
Property taxes levied for library								22,172		
Sales and use taxes					667,783		667,783			
Transfer taxes					8,901		8,901			
Unrestricted state and local appropriations						32,524	32,524			
Interest earnings not restricted to specific programs								82	(7,706)	
Unrestricted interest earnings					3,994	663	4,657			(98)
Miscellaneous					8,772		8,772	1,832	58,655	
Gain on sale of capital assets					559		559			
Transfers					(17,162)	17,162				
Total general revenues and transfers					912,180	50,349	962,529	24,086	50,949	(98)
Change in net assets					(13,182)	(1,290)	(14,472)	(912)	14,056	(227)
Net assets - beginning					22,597	6,442	29,039	19,738	105,918	3,714
Net assets - ending	\$	\$	\$	\$	9,415	5,152	14,567	\$ 18,826	\$ 119,974	\$ 3,487

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK
Balance Sheet
Governmental Funds
December 31, 2008
(amounts expressed in thousands)

	General	ECFSA General	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 121	\$ 719	\$ 66,143	\$ 66,983
Investments			20,435	20,435
Receivables (net of allowances)				
Real property taxes, interest, penalties and liens	56,037		2,861	58,898
Other	6,182	142	27,699	34,023
Due from other funds	81,398		5,686	87,084
Due from component unit	1,204		5	1,209
Due from other governments	136,465	42,496	33,200	212,161
Prepaid items	203	9	1,466	1,678
Loan receivable	1,550			1,550
Total assets	\$ 283,160	\$ 43,366	\$ 157,495	\$ 484,021
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 14,931	\$ 24	\$ 11,018	\$ 25,973
Accrued liabilities	57,078	24	6,397	63,499
Due to other funds		42,919	42,416	85,335
Due to component unit	1,864			1,864
Due to other governments	23,390		30	23,420
Retained percentages payable	12		1,117	1,129
Unearned revenue	15,339		30,646	45,985
Deferred revenue	37,355		42	37,397
Short-term debt	75,000		303	75,303
Total liabilities	224,969	42,967	91,969	359,905
Fund Balances				
Reserved for:				
Encumbrances	6,347		35,662	42,009
Debt service			34,793	34,793
Loan receivable	1,550			1,550
Prepaid items	203		1,430	1,633
E-911 system costs			1,476	1,476
Handicapped parking	73			73
Law enforcement	188			188
Unreserved, reported in:				
General fund				
Designated	4,441			4,441
Undesignated	45,389			45,389
Special revenue funds				
Designated			4,957	4,957
Undesignated		399	5,523	5,922
Capital projects fund				
Designated			1,014	1,014
Undesignated			(19,329)	(19,329)
Total fund balances	58,191	399	65,526	124,116
Total liabilities and fund balances	\$ 283,160	\$ 43,366	\$ 157,495	\$ 484,021

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK
 Reconciliation of the Governmental Funds Balance Sheet
 To the Statement of Net Assets
 December 31, 2008
 (amounts expressed in thousands)

	<u>Governmental Activities</u>
Total Governmental Fund Balances	\$ 124,116
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.	780,016
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	37,397
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.	4,050
Due to a component unit was deemed to be not due and payable in the current period and therefore not reported in the funds.	(1,451)
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	\$ (17,363)
Compensated absences	(23,143)
Retirement	(11,175)
Judgments and claims	(41,075)
Other postemployment benefits (OPEB)	(87,315)
Unamortized bond premium	(18,826)
Bonds payable	(735,816)
	<u>(934,713)</u>
Net assets of governmental activities	<u>\$ 9,415</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, 2008
(amounts expressed in thousands)

	General	ECFSA General	Other Governmental Funds	Total Governmental Funds
Revenues:				
Real property taxes and tax items	\$ 198,910	\$	\$ 30,964	\$ 229,874
Sales and use taxes	277,301	386,851	3,631	667,783
Transfer taxes			8,901	8,901
Intergovernmental	324,901	1,379	82,452	408,732
Interfund revenues			323	323
Departmental	66,161		13,012	79,173
Interest	3,618	376	2,887	6,881
Miscellaneous	6,914		1,166	8,080
Total revenues	877,805	388,606	143,336	1,409,747
Expenditures:				
Current:				
General government support	360,781	488	7,019	368,288
Public safety	103,365		10,619	113,984
Health	67,712		14,934	82,646
Transportation	20,928		23,576	44,504
Economic assistance and opportunity	520,885		16,366	537,251
Culture and recreation	20,616		489	21,105
Education	65,099		70	65,169
Home and community service	2,708		43,200	45,908
Capital outlay			41,966	41,966
Debt service:				
Principal retirement			50,875	50,875
Interest and fiscal charges	2,959		37,523	40,482
Total expenditures	1,165,053	488	246,637	1,412,178
(Deficiency) excess of revenues over expenditures	(287,248)	388,118	(103,301)	(2,431)

COUNTY OF ERIE, NEW YORK
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the year ended December 31, 2008
 (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) :				
Sale of property	575		4	579
Transfers in	386,851		87,246	474,097
Transfers out	(89,528)	(388,230)	(13,501)	(491,259)
Total other financing sources (uses)	<u>297,898</u>	<u>(388,230)</u>	<u>73,749</u>	<u>(16,583)</u>
Net change in fund balances	10,650	(112)	(29,552)	(19,014)
Fund balances at beginning of year	<u>47,541</u>	<u>511</u>	<u>95,078</u>	<u>143,130</u>
Fund balances at end of year	<u>\$ 58,191</u>	<u>\$ 399</u>	<u>\$ 65,526</u>	<u>\$ 124,116</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, 2008
 (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		\$ (19,014)
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		
Capital outlays, net of disposals of \$159	\$ 31,193	
Depreciation	<u>(49,259)</u>	
Net adjustment		(18,066)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.		
Real property taxes	\$ 9,459	
Deferred revenue-miscellaneous	<u>349</u>	
Total adjustment		9,808
Repayment of bond principal is an expenditure in the governmental funds and thus contributes to the change in fund balance. In the statement of net assets, however, payment of debt reduces the long-term debt liability and does not affect the statement of activities.		
Principal retirement	50,875	
Principal retirement - Library component unit reimbursement	(207)	
Amortization of fiscal charges	<u>700</u>	
Total repayments	<u>51,368</u>	
Net adjustment		51,368
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.		
Due to component unit	504	
Interest on bonds	(2,002)	
Compensated absences	(918)	
Judgments and claims (Long term change only)	1,324	
Other postemployment benefits (OPEB)	<u>(37,702)</u>	
Net adjustment		(37,278)
Change in net assets of governmental activities		<u>\$ (13,182)</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, 2008
 (amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance Final Budget- Positive (Negative)
Revenues:				
Real property taxes and tax items	\$ 204,140	\$ 205,854	\$ 198,910	\$ (6,944)
Sales and use taxes	650,839	274,284	277,301	3,017
Intergovernmental	345,312	350,141	324,901	(25,240)
Departmental	63,079	64,214	66,161	1,947
Interest	6,594	6,226	3,618	(2,608)
Miscellaneous	1,776	3,167	6,914	3,747
Total revenues	<u>1,271,740</u>	<u>903,886</u>	<u>877,805</u>	<u>(26,081)</u>
Expenditures:				
Current:				
General government support	434,207	370,922	361,490	9,432
Public safety	79,820	109,283	103,106	6,177
Health	56,219	73,807	67,413	6,394
Transportation	20,571	20,928	20,928	
Economic assistance and opportunity	502,628	533,487	520,542	12,945
Culture and recreation	19,141	22,124	20,596	1,528
Education	68,839	70,093	65,099	4,994
Home and community service	2,449	3,064	2,700	364
Debt service:				
Interest and fiscal charges	3,650	3,650	2,959	691
Total expenditures	<u>1,187,524</u>	<u>1,207,358</u>	<u>1,164,834</u>	<u>42,524</u>
Excess (deficiency) of revenues over expenditures	<u>84,216</u>	<u>(303,472)</u>	<u>(287,029)</u>	<u>16,443</u>
Other financing sources (uses):				
Issuance of general obligation debt				
Sale of property	150	546	575	29
Transfers in		386,851	386,851	
Transfers out	(84,366)	(89,927)	(89,528)	399
Total other financing sources (uses)	<u>(84,216)</u>	<u>297,470</u>	<u>297,898</u>	<u>428</u>
(Deficiency) excess of revenue and other financing sources over expenditures and other financing uses	<u>\$ 0</u>	<u>\$ (6,002)</u>	<u>\$ 10,869</u>	<u>\$ 16,871</u>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK
Statement of Net Assets
Proprietary Funds
December 31, 2008
(amounts expressed in thousands)

	Business - Type Activities Enterprise Funds		Total
	Major Fund	Nonmajor Fund	
	Community College August 31, 2008	Utilities Aggregation Fund	
Assets			
Current Assets			
Cash	\$ 26,772	\$	\$ 26,772
Receivables (net of allowances)	3,838	936	4,774
Due from other funds	1,825	745	2,570
Due from component unit		4,100	4,100
Due from other governments		2,920	2,920
Total current assets	<u>32,435</u>	<u>8,701</u>	<u>41,136</u>
Noncurrent Assets			
Capital assets, net of depreciation			
Construction in progress	432		432
Other capital assets, net of depreciation	10,709		10,709
Total noncurrent assets	<u>11,141</u>	<u>0</u>	<u>11,141</u>
Total assets	<u>43,576</u>	<u>8,701</u>	<u>52,277</u>
Liabilities			
Current Liabilities:			
Accounts payable	1,072	4,954	6,026
Accrued liabilities	3,763	4	3,767
Due to other funds	2,073	1,408	3,481
Fringe benefits payable - current	2,384		2,384
Deferred revenue	11,099		11,099
Total current liabilities	<u>20,391</u>	<u>6,366</u>	<u>26,757</u>
Noncurrent Liabilities:			
Fringe benefits payable	3,834		3,834
Net OPEB obligation	16,534		16,534
Total noncurrent liabilities	<u>20,368</u>	<u>0</u>	<u>20,368</u>
Total liabilities	<u>40,759</u>	<u>6,366</u>	<u>47,125</u>
Net Assets (Deficit)			
Invested in capital assets	11,141		11,141
Unrestricted (Deficit), reported in:			
Community College	(8,324)		(8,324)
Nonmajor Fund		2,335	2,335
Total net assets	<u>\$ 2,817</u>	<u>\$ 2,335</u>	<u>\$ 5,152</u>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended December 31, 2008
(amounts expressed in thousands)

	Business - Type Activities Enterprise Funds		Total
	Major Fund	Nonmajor Fund	
	Community College August 31, 2008	Utilities Aggregation Fund	
Operating Revenues:			
Student tuition and fees	\$ 27,511	\$	\$ 27,511
Intergovernmental revenues and charges	18,913		18,913
State and local contracts	12,268		12,268
Interfund revenues		11,184	11,184
Other operating revenue	1,497	34,291	35,788
Total operating revenue	<u>60,189</u>	<u>45,475</u>	<u>105,664</u>
Operating Expenses:			
Employee wages	56,851	47	56,898
Employee benefits	25,945	15	25,960
Scholarships	10,844		10,844
Supplies	14,022		14,022
Utilities and telephone	2,877	44,840	47,717
Depreciation	1,817		1,817
Total operating expenses	<u>112,356</u>	<u>44,902</u>	<u>157,258</u>
Operating (loss) income	(52,167)	573	(51,594)
Nonoperating revenues (expenses):			
Unrestricted state and local appropriations	32,524		32,524
Income from investments	663		663
Loss on disposal of plant assets	(45)		(45)
(Loss) income before transfers	<u>(19,025)</u>	<u>573</u>	<u>(18,452)</u>
Transfers in	<u>17,162</u>		<u>17,162</u>
Change in net assets	(1,863)	573	(1,290)
Total net assets-beginning	<u>4,680</u>	<u>1,762</u>	<u>6,442</u>
Total net assets-ending	<u>\$ 2,817</u>	<u>\$ 2,335</u>	<u>\$ 5,152</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, 2008
(amounts expressed in thousands)

	Business - Type Activities Enterprise Funds		
	Major Fund	Nonmajor Fund	Total Funds
	Community College August 31, 2008	Utilities Aggregation Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from students and utility customers	\$ 24,540	\$ 35,406	\$ 59,946
Payments to employees for services	(76,561)	(63)	(76,624)
Payments to suppliers for goods and services	(17,130)	(45,445)	(62,575)
Payments for scholarships	(10,844)		(10,844)
Federal, state and local grants	32,860		32,860
Internal activity - payments from other funds		11,326	11,326
Other operating revenues	4,358		4,358
Net cash (used in) provided by operating activities	(42,777)	1,224	(41,553)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
County contribution	17,162		17,162
State appropriations	31,405		31,405
Municipal chargebacks	916		916
Advances to other funds		(1,224)	(1,224)
Net cash provided by (used in) non-capital financing activities	49,483	(1,224)	48,259
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	(5,073)		(5,073)
Net cash used in capital financing activities	(5,073)	0	(5,073)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	663		663
Net cash provided by investing activities	663	0	663
NET DECREASE IN CASH	2,296	0	2,296
Cash, beginning of year	24,476		24,476
Cash, end of year	\$ 26,772	\$ 0	\$ 26,772

(Continued)

COUNTY OF ERIE, NEW YORK
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2008
(amounts expressed in thousands)

Business - Type Activities Enterprise Funds		
Major Fund	Nonmajor Fund	Total Funds
Community College August 31, 2008	Utilities Aggregation Fund	

Reconciliation of operating (loss) income to net cash
used by operating activities

Operating (loss) income	\$ (52,167)	\$ 573	\$ (51,594)
Adjustments to reconcile operating (loss) income to net cash used by operating activities:			
Depreciation expense	1,817		1,817
Increase (Decrease) in assets:			
Receivables, net	752	61	813
Due from other funds	320	41	361
Due from component unit		(1,685)	(1,685)
Due from other governments		2,757	2,757
Increase (Decrease) in liabilities:			
Accounts and other payables	6,156	(475)	5,681
Accrued expenses	(256)	(48)	(304)
Other long-term liabilities	601		601
Net cash (used in) provided by operating activities	\$ (42,777)	\$ 1,224	\$ (41,553)

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2008
(amounts expressed in thousands)

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 28,662
Receivables:	
Other receivables	1,624
Bonds and securities held in custody	155
Total assets	<u>\$ 30,441</u>
Liabilities	
Held in custody for others	30,441
Total liabilities	<u>\$ 30,441</u>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2008

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. Pursuant to consent decrees entered into between the County and ECMCC, the County is committed to providing ongoing operating and capital support to ECMCC. The following component units are included within ECMCC:

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, 2008

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 discretely presented 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. They receive or hold economic resources that are significant to and can be accessed by the College that are entirely or almost entirely for the direct benefit of its constituents (students).

The purpose of the ECC Auxiliary Corporation, a New York 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, 2008

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 Statement No. 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, 2008

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, 2008

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, 2008

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 ECFSA, 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, 2008

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 statements. Interfund reimbursements, as repayments from the funds and functions responsible for particular expenses to the funds and functions that initially paid for them, are treated as adjustments to expenses and expenditures respectively in the government-wide and fund financial statements. Interfund revenues for certain labor costs reported in the fund financial statements are treated as adjustments to expenses in 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.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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, 2008

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, 2008, amounted to \$10,494,557. This amount has been recorded as an allowance against the property taxes receivable account.

H. Compensated Absences

Most employees are granted vacation, personal, and sick leave and earn compensatory time in varying amounts. When they leave service, employees are entitled to payment for accumulated vacation and unused compensatory time at various rates subject to certain maximum limitations. In addition, depending on the applicable collective bargaining agreement, and the specific plan in which the retiree is enrolled, retirees may be eligible to have group health and dental insurance premiums fully paid minimally for a defined period based on their available sick leave credits, or to receive a direct cash payment for a portion of such unused sick time.

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

The compensated absences liability for the primary government at year-end totaled \$26,918,686, with \$23,142,698 reported within governmental activities and \$3,775,988 reported within business-type activities.

The Library component unit compensated absences liability of \$1,730,677 is recorded in full in the government-wide financial statements. The ECMCC component unit compensated absences liability of \$8,200,000 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, 2008

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

The government-wide and proprietary 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 \$72,475 that is restricted by New York State Law to payments related to enforcement of Handicapped Parking Laws. In addition, on the government-wide statement of net assets, ECMCC has reported \$14,795,000 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, 2008

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Reserves and Designations

In the fund financial statements, reserves represent that portion of fund balance that has been legally segregated for a specific use or is not appropriable for expenditure by the County at December 31, 2008, 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 that are applicable to future accounting periods.

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, 2008

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

M. Reserves and Designations (Concluded)

Designations at December 31, 2008 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, \$4,440,948 and \$4,956,430 have been included in the 2009 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 \$1,014,197 at December 31, 2008.

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, 2008, the County adopted the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*; and GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*. The County has determined there is no material impact on the financial statements as a result of implementing these pronouncements.

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. 52, *Land and Other Real Estate as Investments by Endowments*, effective for the fiscal year ending December 31, 2009; GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the fiscal year ending December 31, 2010; GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the fiscal year ending December 31, 2010; and GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, effective for the fiscal year ending December 31, 2011. Therefore, the County is unable to disclose the impact that adopting GASB Statement Nos. 51, 52, 53 and 54 will have on its financial position and results of operations when such statements are adopted.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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 Fund, the enumerated Special Revenue Funds and the Debt Service Fund. All unencumbered appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified. Annual appropriated budgets are not employed for the Grants and Community Development Special 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, 2008

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	\$ 10,650
Less:	
Encumbrances at December 31, 2008	6,347
Plus:	
Encumbrances at January 1, 2008	<u>6,566</u>
Excess of revenues and other financing sources over expenditures and other financing uses - basis of budgeting	\$ <u><u>10,869</u></u>

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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 2008 expenditures through the budget process.

Commitments related directly to the Grants and the Community Development Special Revenue Funds in the amount of \$10,883,309 and \$1,967,526, respectively, at December 31, 2008, 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 Revenue Fund, Highways, Roads, Bridges and Equipment Capital Projects Fund and Special Capital Projects Fund, which are reported in Other Governmental Funds, reported deficit fund balances of \$3,891,120, \$3,753,365 and \$3,789,387, respectively, at December 31, 2008. Future revenues, bond proceeds 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, 2008

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, 2008 (August 31, 2008 as to the College), bank deposits of the Primary Government, Library, and Agency Fund were either insured or fully collateralized with securities held by the pledging financial institution's agent in the County's name.

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, 2008, the fair value of money market accounts was \$131,474,552 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, 2008

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	\$ 500
Institutional liquidity funds	569
Corporate commercial paper	<u>19,366</u>
Total Investments	<u>\$ 20,435</u>

The County's investment in municipal bonds at December 31, 2008 consists of \$500,000 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, 2008 consisted of \$19,366,078 of UBS commercial paper that matured June 1, 2009 and was rated P-1 by Moody's and A-1 by Standard and Poor's. Rating information for the ETASC's investment in Blackrock Liquidity Funds was not available.

ECMCC Component Unit

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

Deposits and petty cash - The ECMCC deposits cash into a number of bank accounts. As of December 31, 2008 the carrying amount of ECMCC's deposits was \$58,334,000 and petty cash was \$10,000.

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, 2008

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, 2008.

	(000's omitted)	
	Fair Value	
	<hr/>	
Fixed Income Securities	\$	48,601
Equity Funds		15,076
Commercial Paper		44,086
Money Market Mutual Funds		10,112
Money Market Bank Accounts		10,853
Deposits		671
Foundation Component Unit		1,209
RHEC Component Unit		1,186
	<hr/>	
Total investments and Restricted cash and cash equivalents	\$	<u>131,794</u>

	(000's omitted)	
	Fair Value	
	<hr/>	
Investments	\$	69,187
Restricted cash and cash equivalents		62,607
	<hr/>	
	\$	<u>131,794</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, 2008 are as follows:

	(000's omitted)	
	Cost	Fair Value
	<hr/>	<hr/>
Fixed income	\$ 607	\$ 607
International equities	789	694
Domestic stocks	565	462
	<hr/>	
	\$ 1,961	\$ 1,763
	<hr/>	
Net unrealized loss		<u>\$ (198)</u>

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

IV - RESTRICTED CASH AND CASH EQUIVALENTS

ECMCC Component Unit

Assets Whose Use is Limited—Assets whose use is limited at December 31, 2008 consists of the following:

	(000's omitted)
	Fair
	Value
Patient and resident's trust cash	\$ 650
Research and study funds	422
Restricted for debt service principal and interest	10,112
Designated for retiree health obligations	10,420
Designated for acquisition of capital assets	13,344
Designated for self insurance	26,450
Foundation Component Unit	1,209
Total	<u>\$ 62,607</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, 2008

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, 2008 is computed as follows:

	(000s omitted)
Five-Year Average Full Valuation of Taxable Real Estate (2003-2007)	\$ 38,381,303
Tax Limit @ 1.5%	<u>\$ 575,720</u>
Statutory Additions	<u>51,123</u>
Total Taxing Power	626,843
Total Levy	<u>(220,179)</u>
Tax Margin	<u>\$ 406,664</u>

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, 2008 include sales and use taxes of approximately \$42.5 million; state and federal assistance for social services in excess of \$93.9 million; and other state and federal aid (including grants) approximating \$67.9 million.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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 - Governmental Funds	General Fund	ECFSA	Other Governmental Funds	Total
Real Property taxes, interest, penalties and liens	\$ 66,532	\$	\$ 20,015	\$ 86,547
Sales and use Tax		42,496		42,496
Federal & State Assistance for DSS	93,887			93,887
Other Federal & State Aid	37,648	142	30,138	67,928
Loan	1,550			1,550
Other	11,112		30,761	41,873
Gross receivables	210,729	42,638	80,914	334,281
Less: allowances for uncollectibles	10,495		17,154	27,649
Total receivables	<u>\$ 200,234</u>	<u>\$ 42,638</u>	<u>\$ 63,760</u>	<u>\$ 306,632</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 - Proprietary Funds	Community College	Nonmajor Fund	Total
Accounts receivable	\$ 4,674	\$ 936	\$ 5,610
Other	2,902	2,920	5,822
Gross receivables	7,576	3,856	11,432
Less: allowances for uncollectibles	3,738		3,738
Total receivables	<u>\$ 3,838</u>	<u>\$ 3,856</u>	<u>\$ 7,694</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, 2008

VIII - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

A. Primary Government

1. Governmental Activities

(000s omitted)

	Balance 1/1/08	Increases	Decreases	Balance 12/31/08
Capital assets, not being depreciated:				
Land	\$ 29,994	\$ 34	\$ (31)	\$ 29,997
Construction in progress	21,367	23,628	(12,089)	32,906
Total capital assets, not being depreciated	<u>51,361</u>	<u>23,662</u>	<u>(12,120)</u>	<u>62,903</u>
Capital assets, being depreciated:				
Buildings and improvements	496,016	1,437		497,453
Transportation network	435,599	6,080		441,679
Sewer network	240,176	8,334		248,510
Improvements other than buildings	24,491	815		25,306
Machinery and equipment	104,902	3,114	(4,591)	103,425
Total capital assets, being depreciated	<u>1,301,184</u>	<u>19,780</u>	<u>(4,591)</u>	<u>1,316,373</u>
Less accumulated depreciation for:				
Buildings and improvements	(223,204)	(15,517)		(238,721)
Transportation network	(196,258)	(18,682)		(214,940)
Sewer network	(69,218)	(3,819)		(73,037)
Improvements other than buildings	(7,897)	(1,261)		(9,158)
Machinery and equipment	(57,886)	(9,981)	4,463	(63,404)
Total accumulated depreciation	<u>(554,463)</u>	<u>(49,260)</u>	<u>4,463</u>	<u>(599,260)</u>
Total capital assets, being depreciated, net	<u>746,721</u>	<u>(29,480)</u>	<u>(128)</u>	<u>717,113</u>
Governmental activities capital assets, net	<u>\$ 798,082</u>	<u>\$ (5,818)</u>	<u>\$ (12,248)</u>	<u>\$ 780,016</u>

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

(000s omitted)

Governmental activities:	
General government	\$ 14,800
Public safety	6,117
Health	446
Transportation	20,149
Economic assistance and opportunity	109
Culture and recreation	1,570
Education	1,632
Home and community service	4,437
Total governmental activities depreciation expense	<u>\$ 49,260</u>

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

VIII - CAPITAL ASSETS (Continued)

A. Primary Government (Concluded)

2. Community College

	(000s omitted)			
	Balance 9/1/07	Increases	Decreases	Balance 8/31/08
Capital assets, not being depreciated:				
Construction in Progress	\$ 1,269	\$ 4,128	\$ (4,965)	\$ 432
Capital assets, being depreciated:				
Building Improvements	1,360	4,966		6,326
Land improvements	64			64
Equipment	22,793	685	(1,061)	22,417
Library collections	2,647	260	(294)	2,613
Total capital assets, being depreciated	<u>26,864</u>	<u>5,911</u>	<u>(1,355)</u>	<u>31,420</u>
Less accumulated depreciation for:				
Building improvements	(138)	(192)		(330)
Land improvements	(8)	(3)		(11)
Equipment	(18,708)	(1,373)	1,030	(19,051)
Library collections	(1,349)	(249)	279	(1,319)
Total accumulated depreciation	<u>(20,203)</u>	<u>(1,817)</u>	<u>1,309</u>	<u>(20,711)</u>
Total capital assets, being depreciated, net	<u>6,661</u>	<u>4,094</u>	<u>(46)</u>	<u>10,709</u>
Community College capital assets, net	<u>\$ 7,930</u>	<u>\$ 8,222</u>	<u>\$ (5,011)</u>	<u>\$ 11,141</u>

Depreciation expense for the Community College was \$1,816,514 for the year ended August 31, 2008.

B. Component Units

1. ECMCC

	(000s omitted)			
	Balance 1/1/08	Increases	Decreases	Balance 12/31/08
Capital assets, not being depreciated:				
Construction in Progress	\$ 605	\$ 32	\$ (535)	\$ 102
Capital assets, being depreciated:				
Land improvements	2,821	15		2,836
Building	213,818	1,097		214,915
Fixed Equipment	3,269			3,269
Major moveable equipment	127,912	10,714		138,626
Total capital assets - being depreciated	<u>347,820</u>	<u>11,826</u>		<u>359,646</u>
Less accumulated depreciation	<u>(273,500)</u>	<u>(12,403)</u>		<u>(285,903)</u>
Total capital assets, being depreciated, net	<u>74,320</u>	<u>(577)</u>		<u>73,743</u>
Total ECMCC component unit capital assets	<u>\$ 74,925</u>	<u>\$ (545)</u>	<u>\$ (535)</u>	<u>\$ 73,845</u>

Depreciation expense for ECMCC and the Foundation was \$12,403,000 for the year ended December 31, 2008.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

VIII - CAPITAL ASSETS (Concluded)

B. Component Units (Concluded)

2. Library

	(000s omitted)			Balance 12/31/08
	Balance 1/1/08	Increases	Decreases	
Capital assets, not being depreciated:				
Rare book collection	\$ 10,962	\$ 52	\$	\$ 11,014
Capital assets, being depreciated:				
Machinery, Equipment and Library materials	62,347	3,904	(8,599)	57,652
Less accumulated depreciation for:				
Machinery, Equipment and Library materials	(55,940)	(3,520)	8,254	(51,206)
Total capital assets, being depreciated, net	6,407	384	(345)	6,446
Library Component Unit capital assets, net	<u>\$ 17,369</u>	<u>\$ 436</u>	<u>\$ (345)</u>	<u>\$ 17,460</u>

Depreciation expense for the Library was \$3,520,000 for the year ended December 31, 2008.

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	\$ 14,931	\$ 24	\$ 11,018	\$ 25,973
Other governments	23,390		30	23,420
Health and social service programs and agencies	31,020		171	31,191
Retained percentages	12		1,117	1,129
Salaries & fringes	19,117	24	2,333	21,474
Other	6,941		3,893	10,834
Total payables	<u>\$ 95,411</u>	<u>\$ 48</u>	<u>\$ 18,562</u>	<u>\$ 114,021</u>

	Community College	Nonmajor Fund	Total
	Payables - <u>Proprietary Funds</u>		
Accounts payable	\$ 1,072	\$ 4,954	\$ 6,026
Salaries & fringes	6,218	4	6,222
Other	3,763		3,763
Total payables	<u>\$ 11,053</u>	<u>\$ 4,958</u>	<u>\$ 16,011</u>

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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		
	Primary	Library	ECMCC
	Government- ERS	Component Unit - ERS	Component Unit - ERS
2008	\$ 25,385,491	\$ 1,346,621	\$ 10,300,000
2007	28,669,390	1,470,906	10,800,000
2006	13,525,883	659,381	11,100,000

The employer contributions made to the ERS were equal to the contributions required for each year, except for payouts deferred with 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, 2008

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 2008 fiscal year were \$2,153,690 and \$475,170, respectively. The total unpaid balance of this retirement liability at the end of the College's fiscal year was \$93,560.

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, 2008

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>College TRS</u>
2008	1,261,363
2007	1,154,076
2006	862,008

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 total cost to the College for those programs which were paid in full, as of August 31, 2008, is an estimated \$859,113 of which \$138,982 was charged to expenses in the current fiscal year. 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 \$1,279,437.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

X – RETIREMENT PLANS (Concluded)

D. Summary of Retirement Plan Liabilities:

Retirement Plan/ Description	(000s omitted)				
	Governmental Activities	Business-type Activities	Primary Government Total	Library Component Unit	Reporting Entity Total
<u>ERS</u>					
Regular	\$ 11,175	\$ 820	\$ 11,995	\$ 590	\$ 12,585
Total	11,175	820	11,995	590	12,585
<u>TRS</u>					
Regular		1,279	1,279		1,279
Total	0	1,279	1,279	0	1,279
<u>TIAA-CREF</u>					
Regular		94	94		94
Total	\$ 11,175	\$ 2,193	\$ 13,368	\$ 590	\$ 13,958

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 \$13.391 million, ECMCC Component Unit of \$10.300 million and Library Component Unit of \$.756 million.

XI – CONSTRUCTION COMMITMENTS

The County has a number of active construction projects at December 31, 2008. The amounts spent to date and remaining commitments (encumbrances) presented by major project groupings are as follows:

<u>Projects</u>	(000s omitted)	
	<u>Spent-to-date</u>	<u>Remaining Commitments</u>
General Government Buildings, Equipment and Improvements	\$ 536,386	\$ 3,366
Highways, Roads, Bridges and Equipment	143,240	21,734
Sewers, Facilities Equipment and Improvements	187,664	3,567
Special Capital Projects	29,096	968
ECMC Capital Projects	57,810	917 *
Total	\$ 954,196	\$ 30,552

* The County has additional future capital commitments related to the ECMCC Sale Agreement, as amended, totaling approximately \$5,051,000 at December 31, 2008. Of this amount, \$1,451,000 is reflected in the government-wide financial statements only.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2008:

Purpose*	Issue	Maturity	Interest Rate	(000s omitted)			Balance 12/31/08	Due Within One Year
				Balance 1/1/08	Additions	Reductions		
Capital	1983	2008	9.60-10.00%	\$ 150	\$	150	\$	\$
Capital	1992	2012	4.25-7.65	3,675		735	2,940	735
Capital	1993	2013	3.30-5.25	586		255	331	85
Capital	1993	2013	Zero Coupon	2,071		647	1,424	389
Capital	1996	2015	0.00	588		68	520	70
Capital	1997	2017	3.75-5.35	370		35	335	35
Capital	1997	2012	4.50-5.50	4,950		990	3,960	990
Refunding	1997	2009	4.50-5.25	490		305	185	185
Capital	1998	2017	3.70-5.15	365		30	335	30
Capital	1998	2013	4.25-5.00	4,973		883	4,090	850
Capital	1999	2018	3.48-5.42	150		10	140	10
Capital	1999	2018	0.00	67		6	61	6
Capital	1999	2009	4.375-5.75	2,847		1,423	1,424	1,424
Capital	1999	2019	5.125-6.00	1,830		115	1,715	120
Capital	2000	2018	3.80-5.92	145		10	135	10
Capital	2000	2012	5.25-6.00	6,349		1,313	5,036	1,313
Capital	2000	2020	5.25-5.70	460		35	425	35
Capital	2001	2031	2.619-5.314	1,770		50	1,720	55
Capital	2001	2031	0.00	4,065		144	3,921	146
Capital	2001	2020	2.30-5.00	21,640		1,820	19,820	1,820
Capital	2001	2021	2.30-5.00	670		50	620	50
Capital	2002	2031	1.362-5.082	1,175		45	1,130	45
Capital	2002	2024	2.521-6.181	4,135		190	3,945	190
Capital	2002	2031	1.333-5.323	885		25	860	30
Capital	2002	2017	3.00-5.00	46,075		3,740	42,335	3,925
Capital	2002	2022	3.00-5.00	1,020		50	970	50
Capital	2003	2032	1.031-4.901	1,165		35	1,130	35
Capital	2003	2029	2.549-6.259	13,600		545	13,055	555
Capital	2003	2032	0.00-0.00	413		17	396	16
Capital	2003	2020	4.00-5.25	67,872		3,841	64,031	4,021
Capital	2003	2023	2.00-4.75	2,115		100	2,015	105
Capital	2003	2032	0.790-4.612	1,100		35	1,065	35
Pension	2003	2008	3.00-4.00	2,900		2,900		
Subtotals carried forward				200,666		20,597	180,069	17,365

*Capital = Capital acquisition and construction

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

XII - LONG-TERM LIABILITIES (Continued)

A. Bonded Indebtedness (Continued)

(000s omitted)								
Purpose*	Issue	Maturity	Interest Rate	Balance 1/1/08	Additions	Reductions	Balance 12/31/08	Due Within One Year
Subtotals brought forward				200,666		20,597	180,069	17,365
Capital	2004	2015	2.50-5.250	15,270		1,650	13,620	1,705
Capital	2004	2033	1.02-4.63	1,000		25	975	30
Capital	2004	2024	3.25-5.25	68,550		5,965	62,585	6,255
Capital	2005	2034	1.56-4.57	3,146		86	3,060	85
Capital	2005	2033	2.06-4.13	2,370		65	2,305	70
Capital	2005	2020	4.45-5.00	59,375		3,355	56,020	3,520
Capital	2005	2035	3.50-5.00	11,750		225	11,525	230
Capital	2005	2012	5.50	19,360		3,470	15,890	3,660
Refunding	2005	2029	3.50-4.50	53,155		2,570	50,585	2,590
Tobacco Refunding	2005	varies***	varies***	313,855		3,865	309,990	
Tobacco Settlement	2006	varies***	varies***	17,695		0	17,695	
Capital	2006	2035	0.00	1,941		66	1,875	70
Capital	2006	2017	3.50-4.00	13,205		1,105	12,100	1,150
Capital	2006	2036	3.50-4.25	4,280		80	4,200	85
ECMCC Settlement	2006	2011	4.93-4.99	32,850		7,625	25,225	8,010
Capital	2007	2036	3.63-4.79	5,064		125	4,939	124
				823,532	0	50,874	772,658	\$ 44,949
discount on zero coupon bonds				(239) **	86		(153) **	
discount on ETASC bonds				(11,570)		(63)	(11,507)	
premium on bond issuance				20,730		1,904	18,826	
deferred amount on refunding				(1,982)		(178)	(1,804)	
deferred amount on refunding-ETASC				(24,141)		(763)	(23,378)	
Bonds payable for financial statement purposes				\$ 806,330	\$ 86	\$ 51,774	\$ 754,642	

*Capital = Capital acquisition and construction

** Amount of unamortized discount on zero coupon bonds at issue date was \$3.348 million. Of this amount, \$3.109 million and \$.086 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, 2008

XII - LONG-TERM LIABILITIES (Continued)

A. Bonded Indebtedness (Concluded)

The following is a summary of bonded indebtedness:

	(000s omitted)			
	Balance 1/1/08	Additions	Reductions	Balance 12/31/08
Governmental Activities	\$ 823,324	\$	\$ 50,666	\$ 772,658
Remaining unamortized:				
discount on zero coupon bonds	(239)	86		(153)
discount on ETASC bonds	(11,570)		(63)	(11,507)
premium on bond issuance	20,729		1,903	18,826
deferred amount on refunding	(1,982)		(178)	(1,804)
deferred amount on refunding-ETASC	(24,141)		(763)	(23,378)
Bonds payable for financial statement purposes	<u>\$ 806,121</u>	<u>\$ 86</u>	<u>\$ 51,565</u>	<u>\$ 754,642</u>

	(000s omitted)			
	Balance 1/1/08	Additions	Payments	Balance 12/31/2008
Library Component Unit	\$ 208	\$	\$ 208	\$ 0
Remaining unamortized				
premium on bond issuance	1		1	0
Bonds payable for financial statement purposes	<u>\$ 209</u>	<u>\$ 0</u>	<u>\$ 209</u>	<u>\$ 0</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, 2008

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 manufacturers in the MSA. Such bonds are secured by and payable solely from TSRs and investment earnings pledged under the Indenture and amounts established and held in accordance with the Indenture. 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, 2008

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		
<u>Issue</u>	<u>Amount</u>	<u>Rate</u>	<u>Description</u>	<u>Projected Final Turbo Redemption Date</u>
\$	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 through May 31, 2018, 101%;	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 through May 31, 2018, 101%;	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 through May 31, 2018, 101%;	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, 2008

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>Rate</u>	<u>Description</u>		<u>Projected Final Turbo</u>
<u>Amount</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, 2008 was as follows:

	(000s omitted)
Bonds payable at January 1, 2008	\$ 331,550
Principal payments during 2008	<u>(3,865)</u>
Bonds payable at December 31, 2008	<u>\$ 327,685</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 \$11,507,382 and loss on defeasance of \$23,378,136.

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

	(000s omitted)		
			Total
Twelve months ended December 31	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2009	\$	\$ 14,512	\$ 14,512
2010		14,512	14,512
2011		14,512	14,512
2012		14,512	14,512
2013		14,512	14,512
2014-2018		72,560	72,560
2019-2023		72,560	72,560
2024-2028	60,625	70,592	131,217
2029-2033	30,330	49,710	80,040
2034-2038	74,685	44,674	119,359
2039-2043		27,870	27,870
2044-2048	120,643	30,227	150,870
2049-2053	12,565	34,947	47,512
2054-2058	11,142	37,227	48,369
2059-2060	17,695	69,712	87,407
	<u>\$ 327,685</u>	<u>\$ 582,639</u>	<u>\$ 910,324</u>

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2008:

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, 2008 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	\$ 13,368	\$ 590	\$ 13,958
Less: Due within one year	<u>3,631</u>	<u>73</u>	<u>3,704</u>
Due in more than one year	<u>\$ 9,737</u>	<u>\$ 517</u>	<u>\$ 10,254</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 \$13.391 million, ECMCC Component Unit of \$10.300 million and Library Component Unit of \$.756 million.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2008, for governmental activities is \$23,142,698 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 \$3,775,988 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 \$8,200,000 have been reported as an accrued liability. Compensated absences of the Library component unit totaling \$1,730,677 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 \$41,075,317 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 \$8,350,000 and \$13,250,000 for the long-term portions of medical malpractice and worker's compensation related exposures, respectively.

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

In applying the requirements of GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, (adopted 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, and commenced with the 2007 liability.

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

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

XII - LONG-TERM LIABILITIES (Continued)

D. Other Long-Term Liabilities (Continued)

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, 2008, the County's annual OPEB cost (expense) of \$65,084,780 is equal to the Annual Required Contribution (ARC), which is \$73,770,344 minus certain adjustments which totaled \$8,685,564. Those adjustments were: interest on the net OPEB obligation; adjustment to the ARC; and other adjustments for certain data related to the actuarial assessment at implementation, which were amortized over one year. Considering the annual expense as well as payments for current health insurance premiums, which totaled \$20,550,284 for retirees and their beneficiaries, the result was an increase in the net OPEB obligation of \$44,534,496 for the year ended December 31, 2008.

Annual OPEB Cost and Net OPEB Obligation

(000s omitted)

	Governmental Activities	Business-type Activities *	Primary Government Total
Actuarial Accrued Liability (AAL)	\$ 608,688	\$ 113,423	\$ 722,111
Unfunded actuarial accrued liability (UAAL)	608,688	113,423	722,111
Normal cost at beginning of year	25,220	4,558	29,778
Amortization factor based on 30 years	17.40	17.40	
Annual Covered Payroll	206,265	50,278	256,543
UAAL as a Percentage of Covered Payroll	295.10%	225.59%	281.48%

Level Dollar Amortization

Calculation of ARC under Projected Unit Credit Method

ARC Normal cost with interest to end of year	\$ 26,305	\$ 4,558	\$ 30,863
(UAAL) over 30 years with interest at end of year	36,494	6,414	42,908
Annual required contribution (ARC)	62,799	10,972	73,771
Interest on Net OPEB Obligation	2,133	417	2,550
Adjustment to ARC	(2,974)	(582)	(3,556)
Other adjustments	(6,402)	(1,278)	(7,680)
Annual OPEB cost (expense)	55,556	9,529	65,085
Contribution for fiscal year ended December 31, 2008	(17,854)	(2,697)	(20,551)
Increase in net OPEB obligation	37,702	6,832	44,534
Net OPEB obligation December 31, 2007	49,613	9,701	59,314
Net OPEB obligation December 31, 2008	\$ 87,315	\$ 16,533	\$ 103,848
Percent of annual OPEB cost contributed	32.14%	28.30%	31.58%

* Erie Community College (August 31, 2008)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended December 31, 2008 and 2007, were as follows:

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

XII - LONG-TERM LIABILITIES (Continued)

D. Other Long-Term Liabilities (Continued)

(000s omitted)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2008	\$65,085	31.58%	\$103,848
12/31/2007	76,799	22.77%	59,314

Funded Status and Funding Progress – The OPEB plan was unfunded, resulting in an unfunded accrued liability (UAAL) of \$608,687,868 for governmental activities and \$113,422,637 for business-type activities as of the most recent actuarial valuation dates of January 1, 2008 and January 1, 2006, respectively. The County’s schedule of funding progress is presented below:

(000s omitted)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (1) ("AAL")</u>	<u>Unfunded AAL ("UAAL")</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Ratio of UAAL to Budget Covered Payroll</u>
1/1/2008 *	\$	\$ 608,688	\$ 608,688	\$	\$ 206,265	295.10%
1/1/2006		736,192	736,192		243,332	302.55%

* Excludes Erie Community College

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

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

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

XII - LONG-TERM LIABILITIES (Continued)

D. Other Long-Term Liabilities (Concluded)

In the January 1, 2008 and January 1, 2006 actuarial valuations, the liabilities were computed using the projected unit credit method. The actuarial assumptions utilized a 4.30% investment rate of return. The rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. Because the County does not currently segregate funding for these benefits, the rate selected is the expected return on the County's general and business-type assets. A 3.25% inflation rate was used for both valuations. For governmental activities, the valuation assumes healthcare cost trends as follows: pre-65 medical, 9.50%; post-65 medical, 7.50%; and prescription, 11.00%. For business-type activities, the valuation assumes healthcare cost trends as follows: pre-65 medical, 10.50%; post-65 medical, 8.50%; and prescription, 13.00%. Healthcare trends for both governmental and business-type activities are 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, 2008:

1. Governmental Activities

(000s omitted)

	Balance <u>1/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/08</u>	Due Within <u>One Year</u>
Bonds payable for financial statement purposes	\$ 806,121	\$ 86 ⁽¹⁾	\$ 51,565	\$ 754,642	\$ 44,949
Due to New York State and Local Employees'					
Retirement System	12,691		1,516	11,175 ⁽²⁾	1,606 ⁽²⁾
Compensated absences	22,224	17,314	16,395	23,143	12,116
Judgments and claims	42,399	12,043	13,367	41,075	10,341
OPEB liability	<u>49,613</u>	<u>64,502</u>	<u>26,800</u>	<u>87,315</u>	
Governmental activity					
Long-term liabilities	<u>\$ 933,048</u>	<u>\$ 93,945</u>	<u>\$ 109,643</u>	<u>\$ 917,350</u>	<u>\$ 69,012</u>

(1) Includes \$0.086 million representing portion of zero coupon bonds discount amortized in current year; remaining unamortized discount is \$0.153 million.

(2) In addition, \$13.391 million is recorded as an accrued liability.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

XII - LONG-TERM LIABILITIES (Continued)

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

2. Business-Type Activities

(000s omitted)

	Balance 9/1/07	Additions	Reductions	Balance 8/31/08	Due Within One Year
Retirement Liabilities	\$ 3,318	\$ 4,948	\$ 5,824	\$ 2,442	\$ 2,216
Compensated Absences & Fringes	3,535	511	270	3,776	168
OPEB Liability	9,701	6,833		16,534	
Business-type activity					
Long-term liabilities	\$ 16,554	\$ 12,292	\$ 6,094	\$ 22,752	\$ 2,384

* Includes \$0.249 million of Retirement Incentive Wages and Vouchers, of which \$0.191 million is due within one year.

3. Library Component Unit

(000s omitted)

	Balance 1/1/08	Additions	Reductions	Balance 12/31/08	Due Within One Year
Bonds Payable for Financial Statement Purposes	\$ 209	\$	\$ 209	\$	\$
Due to New York State and Local Employees' Retirement System	659	261	330	590 ⁽¹⁾	73 ⁽¹⁾
Compensated Absences	1,467	1,147	883	1,731	788
OPEB Liability	1,859	3,590	991	4,458	
Library Component Unit					
Long-term liabilities	\$ 4,194	\$ 4,998	\$ 2,413	\$ 6,779	\$ 861

(1) In addition, \$.756 million is recorded as an accrued liability.

4. ECMCC Component Unit

(000s omitted)

	Balance 1/1/08	Additions	Reductions	Balance 12/31/08	Due Within One Year
Bonds Payable for Financial Statement Purposes	\$ 101,375	\$	\$	\$ 101,375	\$ 2,070
Judgments and Claims	14,070	19,122	11,592	21,600	
OPEB Liability	9,664	12,107	428	21,343	
ECMCC Component Unit					
Long-term liabilities	\$ 125,109	\$ 31,229	\$ 12,020	\$ 144,318	\$ 2,070

Additional judgments and claims liabilities for worker's compensation and medical malpractice have been recorded by ECMCC as accrued liabilities in the amounts of \$4,100,000 and \$750,000, respectively.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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
2009	\$ 71,396	\$ 44,949	\$ 3,822 ⁽²⁾	\$ 12,284	\$ 10,341	\$
2010	46,264	44,336	1,928			
2011	47,283	45,479	1,804			
2012	38,996	37,084	1,912			
2013	33,639	32,322	1,317			
2014-2018	158,665	155,831	2,834			
2019-2023	54,046	54,046				
2024-2028	78,712	78,712				
2029-2033	40,034	40,034				
2034-2038	77,820	77,820				
2039-2043	120,643	120,643				
2044-2048	12,565	12,565				
2049-2053	11,142	11,142				
2054-2058	17,695	17,695				
2059-2060	-					
Various	(1) 149,218			14,635	30,734	103,849
	<u>958,118</u>	<u>772,658</u>	<u>\$ 13,617</u> ⁽²⁾	<u>\$ 26,919</u>	<u>\$ 41,075</u>	<u>103,849</u>
	(153)	(153)	Remaining unamortized discount on zero coupon bonds			
	(11,507)	(11,507)	Discount on ETASC bonds			
	18,826	18,826	Remaining unamortized premium of bond issuance			
	(1,804)	(1,804)	Remaining unamortized deferred amount on refunding			
	<u>(23,378)</u>	<u>(23,378)</u>	Deferred amount on refunding ETASC			
	<u>\$ 940,102</u>	<u>\$ 754,642</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, \$13.391 million is recorded as an accrued liability.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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>	<u>Component Unit ECMCC</u>
2009	\$ 35,456	\$ 5,562
2010	33,380	5,476
2011	31,271	5,382
2012	29,122	5,279
2013	27,251	5,167
2014-2018	112,798	23,789
2019-2023	84,583	19,398
2024-2028	75,287	13,581
2029-2033	51,504	5,746
2034-2038	44,915	
2039-2043	27,870	
2044-2048	30,226	
2049-2053	34,947	
2054-2058	37,227	
2059-2060	69,713	
Totals	<u>\$ 725,550</u>	<u>\$ 89,380</u>

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

(000s omitted)

<u>Year</u>	<u>Total</u>	<u>Retirement</u>	<u>Compensated Absences</u>	<u>OPEB</u>
2009	\$ 861	\$ 73 ⁽²⁾	\$ 788	\$
2010	76	76		
2011	80	80		
2012	84	84		
2013	88	88		
2014-2016	189	189		
Various ⁽¹⁾	5,401		943	4,458
	<u>6,779</u>	<u>\$ 590 ⁽²⁾</u>	<u>\$ 1,731</u>	<u>\$ 4,458</u>

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

(2) In addition, \$.756 million is recorded as an accrued liability.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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>	<u>OPEB</u>
2009	\$ 2,070	\$ 2,070	\$	\$
2010	2,155	2,155		
2011	2,250	2,250		
2012	2,350	2,350		
2013	2,465	2,465		
2014-2018	14,360	14,360		
2019-2023	18,755	18,755		
2024-2028	24,565	24,565		
2029-2033	32,405	32,405		
Various*	<u>42,943</u>		<u>21,600</u>	<u>21,343</u>
Total	<u>\$ 144,318</u>	<u>\$ 101,375</u>	<u>\$ 21,600</u>	<u>\$ 21,343</u>

*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, 2008

XII - LONG-TERM LIABILITIES (Continued)

H. Constitutional Debt Limit

The County constitutional debt limit at December 31, 2008 is computed as follows:

	(000s omitted)
Five-Year Average Full Valuation of Taxable Real Estate (2004-2008)	\$ <u>38,297,058</u>
Debt Limit @ 7%	\$ 2,680,794
Net Indebtedness (After Statutory Exclusions)	<u>480,620</u> *
Net Debt Contracting Margin	\$ <u>2,200,174</u>
Percentage of Debt Contracting Power Exhausted	17.93%

*Net indebtedness includes general obligation bonds of \$546.348 million (excludes ETASC bonds of \$327.685 million and includes ECMCC bond guaranty of \$101.375 million) less sewer bonds for self-supporting sewer districts of \$65.728 million.

I. Operating Leases

Operating lease obligations are primarily for rental of space. Lease expenditures/expenses for the year were approximately \$6,390,000 for the primary government and \$1,800,000 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
2009	\$ 4,296	\$ 1,050
2010	3,525	853
2011	2,875	642
2012	1,453	222
2013	537	92
2014-2019	<u>2</u>	<u>2</u>
Totals	\$ <u>12,686</u>	\$ <u>2,861</u>

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2008, excluding blended component units:

(000's omitted)

<u>Description</u>	<u>Balance</u> <u>1/1/08</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>12/31/08</u>
Revenue Anticipation Notes	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Note Payable	<u>2,953</u>	<u> </u>	<u>2,650</u>	<u>303</u>
Total	<u>\$ 77,953</u>	<u>\$ 75,000</u>	<u>\$ 77,650</u>	<u>\$ 75,303</u>

The Revenue Anticipation Notes, with an interest rate of 2.99%, 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 \$303,196 at December 31, 2008. 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, 2008

XIV - INTERFUND TRANSACTIONS

A. Interfund Receivables and Payables

Interfund receivables and payables of the County at December 31, 2008, and the Community College at August 31, 2008, consisted of the following:

		(000s omitted)
<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount
General Fund	ECFSA	\$ 42,496
	Nonmajor Proprietary Fund	1,408
	Nonmajor Governmental Funds	35,355
	Community College	<u>2,139</u>
		<u>81,398</u>
Nonmajor Governmental Funds	ECFSA	423
	Nonmajor Governmental Funds	5,260
	Community College	<u>3</u>
		<u>5,686</u>
Nonmajor Proprietary Fund	Community College	<u>745</u>
Community College	General Fund	25
	Nonmajor Governmental Funds	<u>1,800</u>
		<u>1,825</u>
Total Receivables		89,654
Less: Timing Differences		<u>(838)</u>
Total Payables		<u>\$ 88,816</u>

Interfund receivables exceed interfund payables by \$838,449. This difference represents interfund receivables in the amounts of \$813,873 and \$24,576 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, 2008

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, 2008, 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>1,204</u>
Primary Government-Nonmajor Proprietary Fund	ECMCC Component Unit	\$ <u>4,100</u>
Nonmajor Governmental Funds	ECMCC Component Unit	\$ <u>5</u>
ECMCC Component Unit	Primary Government-General Fund	\$ <u>1,864</u>

An amount of \$1,451,000 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, 2008

XIV - INTERFUND TRANSACTIONS (Concluded)

C. Interfund Transfers

Interfund transfers for the County for the year ended December 31, 2008, and the Community College for the year ended August 31, 2008, 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	\$ 3,904	For the local share of Grant programs
	Nonmajor Governmental Funds	58,782	For general debt service
	Nonmajor Governmental Funds	553	To support various capital projects
	Nonmajor Governmental Funds	9,350	For highway improvements
	Community College	15,421	To support College operations
	ETCC	<u>1,518</u>	To support ETCC operations
		<u>89,528</u>	
ECFSA	General Fund	386,851	For operations from sales tax receipts
	Nonmajor Governmental Funds	669	For general debt service
	Nonmajor Governmental Funds	550	For Grant programs
	Nonmajor Governmental Funds	<u>160</u>	To support various capital projects
		<u>388,230</u>	
Nonmajor Governmental Funds	Nonmajor Governmental Funds	5,595	To support various capital projects
	Nonmajor Governmental Funds	4,582	For sewer debt service
	Nonmajor Governmental Funds	1,583	For general debt service
	Community College	<u>1,741</u>	For movable equipment
		<u>13,501</u>	
Total Transfers		<u>\$ 491,259</u>	

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2008, because they did not meet the criteria for recognition as fund liabilities, amounted to \$41,075,317.

In addition, the County has claims in the range of \$915,000 to \$9,449,000 for which there is a reasonable possibility of a future loss. No accrual has been recorded for such possible losses as of December 31, 2008. The County is a defendant in various other lawsuits. Although the outcome of these suits is not presently determinable, in the opinion of the County, the resolution of these matters will not have a material adverse effect on the County's financial condition or results of operations.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

XV – CONTINGENCIES (Continued)

A. Self-Insurance Programs (Concluded)

The changes since December 31, 2006 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>
2007	\$ 532,159	\$ 147,158	\$ 532,159	\$ 147,158
2008	\$ 147,158	601,582	147,158	601,582

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 \$9,100,000 has been accrued at December 31, 2008 discounted at 4.25% 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. Additionally, ECMCC purchased excess insurance for medical malpractice covering a one-year period starting November 19, 2008. The policy provides \$20 million of coverage in excess of \$5 million of individual claims or \$7 million in aggregate claims. At December 31, 2008 the County recorded \$100,000 as a long-term liability related to this decree. In addition, ECMCC has recorded liabilities of approximately \$17,350,000 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, 2008, 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 \$138.2 million for the year ended December 31, 2008. 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 commencing 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 \$34.1 million for the year ended December 31, 2008. 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, 2008

XV – CONTINGENCIES (Continued)

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 \$68.2 million for the year ended December 31, 2008. 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 2008 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

1. Financial Assistance Audits

As discussed above, the County receives significant financial assistance from numerous federal and state governmental agencies and third-party payors. The disbursement of 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, 2008, ECMCC, a component unit of the County, has recorded \$17,732,000 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, 2008

XV – CONTINGENCIES (Concluded)

G. Other Contingent Liabilities (Concluded)

2. Pollution Remediation

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

XVI – FUND BALANCE DESIGNATIONS

Designations are not required segregations, but are segregated for a specific purpose by the County at December 31, 2008 and were as follows:

	(000s omitted)		
	General	Other Governmental Funds	Total Primary Government
Designated for:			
Subsequent year's expenditures	\$ <u>4,441</u>	\$ <u>5,971</u>	\$ <u>10,412</u>
Total Fund Balance Designations	\$ <u><u>4,441</u></u>	\$ <u><u>5,971</u></u>	\$ <u><u>10,412</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.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

XVII – JOINT VENTURE (Concluded)

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 \$923,630 for the year ended December 31, 2008. The Corporation reported a net revenue available for distribution to participating municipalities of \$2,975,177. In addition, cumulative net revenue retained for capital acquisitions was \$23,940,224 at December 31, 2008. The unexpended balance of funds retained for capital acquisitions cannot exceed the lesser of 1% of total pari-mutuel wagering pools for the previous 12 months or the undepreciated value of the Corporation's offices, facilities, and premises. Separate financial statements for this joint venture can be obtained from the Corporation's administrative offices at 700 Ellicott Street, Batavia, New York 14020.

XVIII - SUBSEQUENT EVENTS

Bond Anticipation Notes

The ECFSA issued bond anticipation notes ("BAN") totaling \$103,791,077 on May 20, 2009 with an interest rate of 0.90%. On the same date, the ECFSA paid the County \$103,534,867 for the County's own BAN, also with an interest rate of 0.90%. The proceeds will be used by the County to fund certain capital improvements. The notes mature on May 19, 2010 but may be extended for an additional four (4) years and will eventually be paid by the issuance of long-term general obligation bonds by the County or the Erie County Fiscal Stability Authority pursuant to an agreement entered into by the parties.

ECFSA

As described in Note I, the ECFSA operated in a control capacity commencing in 2006.

On June 2, 2009, the ECFSA revoked the control period and reverted to an advisory status with limited control and oversight powers over County finances.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

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

COUNTY OF ERIE, NEW YORK
 Schedule of Funding Progress
 Other Post-Employment Benefits (OPEB) – Health Insurance
 (amounts expressed in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (1) ("AAL")</u>	<u>Unfunded AAL ("UAAL")</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Ratio of UAAL to Budget Covered Payroll</u>
1/1/2008 (2)	\$ -	\$ 608,688	\$ 608,688	\$ -	\$ 206,265	295.10%
1/1/2006	-	736,192	736,192	-	243,332	302.55%

Notes:

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

(2) Excludes Erie Community College

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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

Combining statements are presented for the non-major governmental funds.

Individual fund statements and schedules present the following:

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

Combining statements are presented for the discretely presented Other component units.

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

- **Road Special Revenue Fund**

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

- **Sewer Special Revenue Fund**

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

- **Downtown Mall Special Revenue Fund**

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

- **E-911 Special Revenue Fund**

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

- **Emergency Response Special Revenue Fund**

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

- **Grants Special Revenue Fund**

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

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

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

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

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

- **Community Development Special Revenue Fund**

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

NONMAJOR GOVERNMENTAL FUNDS (Concluded)

DEBT SERVICE FUNDS

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

- **Debt Service Fund**

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

- **ETASC Debt Service Fund**

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

CAPITAL PROJECTS FUNDS

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

- **General Government Buildings, Equipment and Improvements Fund**

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

- **Highways, Roads, Bridges and Equipment Fund**

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

- **Sewers, Facilities, Equipment and Improvements Fund**

Used to account for capital projects relating to the construction and acquisition of sewer facilities and equipment by the operating sewer districts.

- **Tobacco Proceeds Fund**

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

- **Special Capital Projects Fund**

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

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

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

COUNTY OF ERIE, NEW YORK
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2008
 (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	\$ 15,486	\$ 15	\$ 2,264	\$	\$	\$ 199	\$ 1,977	\$	\$ 19,944
Investments										
Receivables (net of allowances)										
Real property taxes, interest, penalties and liens			45					2,816		2,861
Other		11		340		1,080			26,224	27,655
Due from other funds		5,256			2	263	5			5,526
Due from component unit	5									5
Due from other governments	1,417	2			8,643	13,893		793		24,748
Prepaid items		1,430					36			1,466
Total assets	<u>\$ 1,425</u>	<u>\$ 22,185</u>	<u>\$ 60</u>	<u>\$ 2,604</u>	<u>\$ 8,645</u>	<u>\$ 15,236</u>	<u>\$ 240</u>	<u>\$ 4,793</u>	<u>\$ 27,017</u>	<u>\$ 82,205</u>
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	\$ 739	\$ 457	\$ 60	\$ 77	\$ 784	\$ 3,235	\$ 3	\$ 107	\$ 680	\$ 6,082
Accrued liabilities	854	2,083				1,027		1,250	81	5,355
Due to other funds	3,723				7,861	7,141		3,133	31	21,889
Due to other governments		17							4	21
Retained percentages payable		5								5
Unearned revenue						3,833			26,221	30,054
Deferred revenue										
Short-term debt								303		303
Total liabilities	<u>5,316</u>	<u>2,562</u>	<u>60</u>	<u>77</u>	<u>8,645</u>	<u>15,236</u>	<u>3</u>	<u>4,793</u>	<u>27,017</u>	<u>63,709</u>
Fund balances:										
Reserved for:										
Encumbrances	109	3,950		1,051						5,110
Debt service										
Prepaid items		1,430								1,430
E-911 system costs				1,476						1,476
Unreserved, reported in:										
Special revenue funds										
Designated		4,957								4,957
Undesignated (Deficit)	(4,000)	9,286					237			5,523
Capital projects fund										
Designated										
Undesignated										
Total fund balances (Deficit)	<u>(3,891)</u>	<u>19,623</u>	<u>0</u>	<u>2,527</u>	<u>0</u>	<u>0</u>	<u>237</u>	<u>0</u>	<u>0</u>	<u>18,496</u>
Total liabilities and fund balances	<u>\$ 1,425</u>	<u>\$ 22,185</u>	<u>\$ 60</u>	<u>\$ 2,604</u>	<u>\$ 8,645</u>	<u>\$ 15,236</u>	<u>\$ 240</u>	<u>\$ 4,793</u>	<u>\$ 27,017</u>	<u>\$ 82,205</u>

COUNTY OF ERIE, NEW YORK
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2008
 (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	\$ 14,654	\$	\$ 14,654	\$ 14,787	\$	\$ 11,381	\$ 93	\$ 657	\$ 4,627	\$ 31,545	\$ 66,143
Investments		19,935	19,935				500			500	20,435
Receivables (net of allowances)											
Real property taxes, interest, penalties and liens											2,861
Other		42	42	2						2	27,699
Due from other funds				160						160	5,686
Due from component unit											5
Due from other governments	306		306	488	6,818	39		801		8,146	33,200
Prepaid items											1,466
Total assets	\$ 14,960	\$ 19,977	\$ 34,937	\$ 15,437	\$ 6,818	\$ 11,420	\$ 593	\$ 1,458	\$ 4,627	\$ 40,353	\$ 157,495
Liabilities and Fund Balances											
Liabilities:											
Accounts payable	\$	\$	\$	\$ 1,218	\$ 1,947	\$ 871	\$ 1	\$ 800	\$ 99	\$ 4,936	\$ 11,018
Accrued liabilities	60		60	332	590	41		1	18	982	6,397
Due to other funds		42	42	3,590	7,561	5,255		4,077	2	20,485	42,416
Due to other governments					9					9	30
Retained percentages payable				339	42	357		369	5	1,112	1,117
Unearned revenue				170	422					592	30,646
Deferred revenue		42	42								42
Short-term debt											303
Total liabilities	60	84	144	5,649	10,571	6,524	1	5,247	124	28,116	91,969
Fund balances:											
Reserved for:											
Encumbrances											
Debt service	14,900	19,893	34,793	3,366	21,734	3,567		968	917	30,552	35,662
Prepaid items											1,430
E-911 system costs											1,476
Unreserved, reported in:											
Special revenue funds											
Designated											4,957
Undesignated (Deficit)											5,523
Capital projects fund											
Designated							129		885	1,014	1,014
Undesignated				6,422	(25,487)	1,329	463	(4,757)	2,701	(19,329)	(19,329)
Total fund balances (Deficit)	14,900	19,893	34,793	9,788	(3,753)	4,896	592	(3,789)	4,503	12,237	65,526
Total liabilities and fund balances	\$ 14,960	\$ 19,977	\$ 34,937	\$ 15,437	\$ 6,818	\$ 11,420	\$ 593	\$ 1,458	\$ 4,627	\$ 40,353	\$ 157,495

COUNTY OF ERIE, NEW YORK
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended December 31, 2008
 (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	\$	\$ 29,696	\$ 1,268	\$	\$	\$	\$	\$	\$	\$ 30,964
Sales and use taxes				3,631						3,631
Transfer taxes	8,901									8,901
Intergovernmental	7,490	3			5,315	36,507			4,482	53,797
Interfund revenues	323									323
Departmental	136	7,826			823	2,579			942	12,306
Interest		619					1	10		630
Miscellaneous	3	124				823				950
Total revenues	<u>16,853</u>	<u>38,268</u>	<u>1,268</u>	<u>3,631</u>	<u>6,138</u>	<u>39,909</u>	<u>1</u>	<u>10</u>	<u>5,424</u>	<u>111,502</u>
Expenditures:										
Current:										
General government support			1,268			4,191	121	1,415		6,995
Public safety				3,072		7,547				10,619
Health						14,934				14,934
Transportation	23,576									23,576
Economic assistance and opportunity						16,178			188	16,366
Culture and recreation						489				489
Education						70				70
Home and community service		30,868			6,138	954			5,240	43,200
Capital outlay										
Debt service:										
Principal retirement										
Interest and fiscal charges								113		113
Total expenditures	<u>23,576</u>	<u>30,868</u>	<u>1,268</u>	<u>3,072</u>	<u>6,138</u>	<u>44,363</u>	<u>121</u>	<u>1,528</u>	<u>5,428</u>	<u>116,362</u>
(Deficiency) excess of revenues over expenditures	<u>(6,723)</u>	<u>7,400</u>	<u>0</u>	<u>559</u>	<u>0</u>	<u>(4,454)</u>	<u>(120)</u>	<u>(1,518)</u>	<u>(4)</u>	<u>(4,860)</u>
Other financing sources (uses) :										
Sale of property									4	4
Transfers in	9,350					4,454	100	1,518		15,422
Transfers out	(3,353)	(6,141)								(9,494)
Total other financing sources (uses)	<u>5,997</u>	<u>(6,141)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,454</u>	<u>100</u>	<u>1,518</u>	<u>4</u>	<u>5,932</u>
Net change in fund balances	<u>(726)</u>	<u>1,259</u>	<u>0</u>	<u>559</u>	<u>0</u>	<u>0</u>	<u>(20)</u>	<u>0</u>	<u>0</u>	<u>1,072</u>
Fund balances (Deficit) at beginning of year	(3,165)	18,364		1,968			257			17,424
Fund balances (Deficit) at end of year	<u>\$ (3,891)</u>	<u>\$ 19,623</u>	<u>\$ 0</u>	<u>\$ 2,527</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 237</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,496</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, 2008
 (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	
Revenues:							
Real property taxes and tax items	\$	\$	\$	\$	\$	\$	\$ 30,964
Sales and use taxes							3,631
Transfer taxes							8,901
Intergovernmental	1,225	18,064	19,289	2,323	5,055	127	82,452
Interfund revenues							323
Departmental				13	145	343	13,012
Interest	1,903	163	2,066	14		177	2,887
Miscellaneous	216		216				1,166
							0
Total revenues	<u>3,344</u>	<u>18,227</u>	<u>21,571</u>	<u>2,350</u>	<u>5,200</u>	<u>647</u>	<u>143,336</u>
Expenditures:							
Current:							
General government support		24	24				7,019
Public safety							10,619
Health							14,934
Transportation							23,576
Economic assistance and opportunity							16,366
Culture and recreation							489
Education							70
Home and community service							43,200
Capital outlay				14,694	15,077	6,430	41,966
Debt service:							
Principal retirement	47,010	3,865	50,875				50,875
Interest and fiscal charges	23,125	14,285	37,410				37,523
Total expenditures	<u>70,135</u>	<u>18,174</u>	<u>88,309</u>	<u>14,694</u>	<u>15,077</u>	<u>6,430</u>	<u>246,637</u>
(Deficiency) excess of revenues over expenditures	<u>(66,791)</u>	<u>53</u>	<u>(66,738)</u>	<u>(12,344)</u>	<u>(9,877)</u>	<u>(5,783)</u>	<u>(103,301)</u>
Other financing sources (uses) :							
Sale of property							4
Transfers in	65,516		65,516	1,405	3,158	1,745	87,246
Transfers out	(107)	(100)	(207)	(216)	(950)	(79)	(13,501)
Total other financing sources (uses)	<u>65,409</u>	<u>(100)</u>	<u>65,309</u>	<u>1,189</u>	<u>2,208</u>	<u>1,666</u>	<u>73,749</u>
Net change in fund balances	<u>(1,382)</u>	<u>(47)</u>	<u>(1,429)</u>	<u>(11,155)</u>	<u>(7,669)</u>	<u>(4,117)</u>	<u>(29,552)</u>
Fund balances (Deficit) at beginning of year	16,282	19,940	36,222	20,943	3,916	9,013	95,078
Fund balances (Deficit) at end of year	<u>\$ 14,900</u>	<u>\$ 19,893</u>	<u>\$ 34,793</u>	<u>\$ 9,788</u>	<u>\$ (3,753)</u>	<u>\$ 4,896</u>	<u>\$ 65,526</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, 2008
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Transfer taxes	\$ 10,350	\$ 10,350	\$ 8,901	\$ (1,449)
Intergovernmental	6,622	7,490	7,490	
Interfund revenue			323	323
Departmental	103	103	136	33
Miscellaneous	8	8	3	(5)
Total revenues	<u>17,083</u>	<u>17,951</u>	<u>16,853</u>	<u>(1,098)</u>
Expenditures:				
Transportation	<u>20,555</u>	<u>23,256</u>	<u>23,256</u>	
(Deficiency) excess of revenues over expenditures	<u>(3,472)</u>	<u>(5,305)</u>	<u>(6,403)</u>	<u>(1,098)</u>
Other financing sources (uses):				
Transfers in	5,957	6,581	9,350	2,769
Transfers out	(2,485)	(3,353)	(3,353)	
Total other financing sources	<u>3,472</u>	<u>3,228</u>	<u>5,997</u>	<u>2,769</u>
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 0</u>	<u>\$ (2,077)</u>	<u>\$ (406)</u>	<u>\$ 1,671</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, 2008
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Real property taxes and tax items	\$ 29,742	\$ 29,742	\$ 29,696	\$ (46)
Intergovernmental			3	3
Departmental	6,720	6,720	7,826	1,106
Interest	683	683	619	(64)
Miscellaneous	165	165	124	(41)
Total revenues	<u>37,310</u>	<u>37,310</u>	<u>38,268</u>	<u>958</u>
Expenditures:				
Home and community services	<u>37,053</u>	<u>36,729</u>	<u>31,080</u>	<u>5,649</u>
Excess of revenues over expenditures	<u>257</u>	<u>581</u>	<u>7,188</u>	<u>6,607</u>
Other financing sources (uses):				
Transfers out	<u>(5,762)</u>	<u>(6,547)</u>	<u>(6,141)</u>	<u>406</u>
Total other financing sources (uses)	<u>(5,762)</u>	<u>(6,547)</u>	<u>(6,141)</u>	<u>406</u>
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (5,505)</u>	<u>\$ (5,966)</u>	<u>\$ 1,047</u>	<u>\$ 7,013</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, 2008
 (amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Real property taxes and tax items	\$ 1,259	\$ 1,268	\$ 1,268	\$
Total revenues	<u>1,259</u>	<u>1,268</u>	<u>1,268</u>	<u>0</u>
Expenditures:				
General government support	<u>1,259</u>	<u>1,268</u>	<u>1,268</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, 2008
 (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	\$ 3,631	\$ (35)
Total revenues	<u>3,666</u>	<u>3,666</u>	<u>3,631</u>	<u>(35)</u>
Expenditures:				
Public safety	<u>3,766</u>	<u>5,012</u>	<u>4,116</u>	<u>896</u>
 (Deficiency) excess of revenues over expenditures	 <u>\$ (100)</u>	 <u>\$ (1,346)</u>	 <u>\$ (485)</u>	 <u>\$ 861</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, 2008
 (amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Intergovernmental	\$	\$ 5,620	\$ 5,315	\$ (305)
Departmental		574	823	249
Total revenues	<u>0</u>	<u>6,194</u>	<u>6,138</u>	<u>(56)</u>
Expenditures:				
Home and community service		<u>6,194</u>	<u>6,138</u>	<u>56</u>
Excess of revenues over expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</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, 2008
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,225	\$ 1,225	\$ 1,225	\$
Interest	2,148	2,148	1,903	(245)
Miscellaneous	216	216	216	
Total revenues	<u>3,589</u>	<u>3,589</u>	<u>3,344</u>	<u>(245)</u>
Expenditures:				
Current:				
General government support	685	669		669
Debt Service:				
Principal retirement	47,129	47,038	47,010	28
Interest and fiscal charges	25,340	25,340	23,125	2,215
Total expenditures	<u>73,154</u>	<u>73,047</u>	<u>70,135</u>	<u>2,912</u>
(Deficiency) of revenues over expenditures	<u>(69,565)</u>	<u>(69,458)</u>	<u>(66,791)</u>	<u>2,667</u>
Other financing sources (uses):				
Premium on bond issuance	200	200		(200)
Transfers In	65,204	65,204	65,516	312
Transfers out		(107)	(107)	
Total other financing sources (uses)	<u>65,404</u>	<u>65,297</u>	<u>65,409</u>	<u>112</u>
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (4,161)</u>	<u>\$ (4,161)</u>	<u>\$ (1,382)</u>	<u>\$ 2,779</u>

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AGENCY FUND

The Agency Fund is used to account for money and property received and held in the capacity of custodian or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations. Agency funds, such as payroll withholdings, are reported as liabilities.

COUNTY OF ERIE, NEW YORK
Statement of Changes in Assets and Liabilities
Agency Fund
For the year ended December 31, 2008
(amounts expressed in thousands)

	Balance 1/1/2008	Additions	Deductions	Balance 12/31/2008
Assets				
Cash and cash equivalents	\$ 33,829	\$ 546,160	\$ 551,327	\$ 28,662
Receivables:				
Other receivables	279	13,165	11,820	1,624
Bonds and securities held in custody	155			155
Total assets	<u>\$ 34,263</u>	<u>\$ 559,325</u>	<u>\$ 563,147</u>	<u>\$ 30,441</u>
Liabilities				
Held in custody for others:				
Court funds	\$ 8,336	\$ 3,264	\$ 4,196	\$ 7,404
Mortgage tax	2,945	16,964	17,943	1,966
Social services	5,737	109,752	109,848	5,641
Bail and bid deposits	843	1,075	1,039	879
Payroll taxes and withholdings	2,178	215,072	216,265	985
Miscellaneous - other	14,224	11,174	11,832	13,566
Total amounts held in custody for others	<u>34,263</u>	<u>357,301</u>	<u>361,123</u>	<u>30,441</u>
Total liabilities	<u>\$ 34,263</u>	<u>\$ 357,301</u>	<u>\$ 361,123</u>	<u>\$ 30,441</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, 2008
 (amounts expressed in thousands)

	<u>Component Unit</u>
Assets	
Cash and cash equivalents	\$ 10,168
Receivables (net of allowances)	
Other	5
Due from other governments	1,136
Prepaid items	349
Total assets	<u>\$ 11,658</u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 695
Accrued liabilities	1,311
Unearned revenue	1,507
Total liabilities	<u>3,513</u>
Fund Balances	
Reserved for:	
Encumbrances	690
Prepaid items	349
Unreserved, reported in:	
Designated	4,764
Undesignated	2,342
Total fund balances	<u>8,145</u>
Total liabilities and fund balances	<u>\$ 11,658</u>

COUNTY OF ERIE, NEW YORK
 Reconciliation of the Component Unit Balance Sheet
 To the Statement of Net Assets
 December 31, 2008
 (amounts expressed in thousands)

	<u>Component Unit</u>
Total Component Unit Fund Balance	\$ 8,145
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	17,460
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(6,779)
Net assets of component unit activities	<u>\$ 18,826</u>

COUNTY OF ERIE, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balance
Component Unit
For the year ended December 31, 2008
(amounts expressed in thousands)

	<u>Component Unit</u>
Revenues:	
Real property taxes and tax items	\$ 22,172
Intergovernmental	3,262
Departmental	1,088
Interest	82
Miscellaneous	1,832
Total revenues	<u>28,436</u>
Expenditures:	
Current:	
Culture and recreation	26,854
Total expenditures	<u>26,854</u>
Excess of revenues over expenditures	<u>1,582</u>
Other financing sources (uses) :	
Transfers in	0
Total other financing sources (uses)	<u>0</u>
Net change in fund balances	1,582
Fund balance at beginning of year	6,563
Fund balance at end of year	<u>\$ 8,145</u>

COUNTY OF ERIE, NEW YORK
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balance of Component Unit
 To the Statement of Activities
 For the year ended December 31, 2008
 (amounts expressed in thousands)

	<u>Component Unit</u>
Amounts reported for component unit activities in the statement of activities are different because:	
Net change in fund balance - component unit	\$ 1,582
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	\$ 3,897
Donated capital assets	59
Capital assets deleted	(345)
Less current year depreciation	<u>(3,520)</u>
Net adjustment	91
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.	(2,794)
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>\$ (912)</u>

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OTHER COMPONENT UNITS

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

COUNTY OF ERIE, NEW YORK
Combining Statement of Net Assets
Other Component Units
December 31, 2008
(amounts expressed in thousands)

	College Foundation August 31, 2008	Auxiliary Services Corporation August 31, 2008	Total
Assets			
Cash	\$ 130	\$ 1,040	\$ 1,170
Investments	1,763		1,763
Receivables (net of allowances)		104	104
Inventories		44	44
Prepaid items		2	2
Other assets	147	1,187	1,334
Capital assets			
Other capital assets, net of depreciation	50	622	672
Total assets	<u>2,090</u>	<u>2,999</u>	<u>5,089</u>
Liabilities			
Accounts payable	31	155	186
Accrued liabilities	222	1,187	1,409
Deferred revenue		7	7
Total liabilities	<u>253</u>	<u>1,349</u>	<u>1,602</u>
Net Assets			
Restricted for:			
Other purposes	1,532	25	1,557
Unrestricted	305	1,625	1,930
Total net assets	<u>\$ 1,837</u>	<u>\$ 1,650</u>	<u>\$ 3,487</u>

COUNTY OF ERIE, NEW YORK
Combining Statement of Activities
Other Component Units
For the year ended December 31, 2008
(amounts expressed in thousands)

	College Foundation August 31, 2008	Auxiliary Services Corporation August 31, 2008	Total
Expenses			
Program operations	\$ 1,208	\$ 2,653	\$ 3,861
Total expenses	<u>1,208</u>	<u>2,653</u>	<u>3,861</u>
Program revenues			
Charges for services	59	2,794	2,853
Operating grants and contributions	879		879
Total program revenues	<u>938</u>	<u>2,794</u>	<u>3,732</u>
Net program revenues	(270)	141	(129)
General revenues			
Interest earnings not restricted to specific programs	(98)		(98)
Total general revenues	<u>(368)</u>	<u>141</u>	<u>(227)</u>
Change in net assets	(368)	141	(227)
Total net assets-beginning	<u>2,205</u>	<u>1,509</u>	<u>3,714</u>
Total net assets-ending	<u>\$ 1,837</u>	<u>\$ 1,650</u>	<u>\$ 3,487</u>

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STATISTICAL SECTION

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

Contents	Page
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Financial Trends.....	109
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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.....	114
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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	119
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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	124
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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.....	126
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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 Seven Fiscal Years (1)
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities							
Invested in capital assets net of related debt	\$ 414,620	\$ 424,596	\$ 453,359	\$ 422,636	\$ 343,309	\$ 331,821	\$ 330,411
Restricted	177,749	106,874	118,461	101,205	23,246	23,071	18,979
Unrestricted	124,777	42,301	(407,444)	(480,803)	(317,433)	(332,295)	(339,975)
Total governmental activities net assets	<u>\$ 717,146</u>	<u>\$ 573,771</u>	<u>\$ 164,376</u>	<u>\$ 43,038</u>	<u>\$ 49,122</u>	<u>\$ 22,597</u>	<u>\$ 9,415</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	\$ 11,141
Restricted	5,485	3,893					
Unrestricted	19,287	(34,002)	6,429	6,759	7,892	(1,488)	(5,989)
Total business-type activities net assets	<u>\$ 24,772</u>	<u>\$ 44,269</u>	<u>\$ 13,099</u>	<u>\$ 13,534</u>	<u>\$ 14,545</u>	<u>\$ 6,442</u>	<u>\$ 5,152</u>
Primary government							
Invested in capital assets net of related debt	\$ 438,099	\$ 498,974	\$ 460,029	\$ 429,411	\$ 349,962	\$ 339,751	\$ 341,552
Restricted	183,234	110,767	118,461	101,205	23,246	23,071	18,979
Unrestricted	144,064	8,299	(401,015)	(474,044)	(309,541)	(333,783)	(345,964)
Total primary government net assets	<u>\$ 765,397</u>	<u>\$ 618,040</u>	<u>\$ 177,475</u>	<u>\$ 56,572</u>	<u>\$ 63,667</u>	<u>\$ 29,039</u>	<u>\$ 14,567</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 seven 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
 Changes in Net Assets
 Last Seven Fiscal Years (1)
 (accrual basis of accounting)
 (amounts expressed in thousands)

Expenses	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Primary government:							
Governmental activities:							
General government	\$ 80,900	\$ 94,547	\$ 146,767	\$ 124,393	\$ 86,640	\$ 425,037	\$ 418,986
Public safety	109,422	118,743	123,046	118,692	128,222	117,687	118,220
Health	61,874	70,179	97,512	80,468	110,413	84,283	85,091
Transportation	50,801	60,438	55,014	61,850	60,742	61,088	65,292
Economic assistance and opportunity	563,179	555,306	607,721	525,492	541,220	574,163	537,650
Culture and recreation	29,170	28,431	37,374	20,030	20,278	21,181	29,910
Education	48,917	52,548	57,304	62,870	67,310	67,157	66,883
Home and community service	44,137	42,528	43,121	44,792	82,954	52,365	52,299
Interest and fiscal charges	12,199	15,349	34,630	38,797	49,878	45,938	41,784
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>	<u>1,416,115</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	112,401
Purchase and resale of utilities	28,606	35,925	38,051	49,656	50,971	46,747	44,902
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>	<u>157,303</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>	<u>\$ 1,573,418</u>
Program Revenues							
Primary government:							
Governmental activities:							
Charges for services:							
General government	\$ 18,414	\$ 18,623	\$ 16,398	\$ 14,196	\$ 20,736	\$ 19,521	\$ 21,113
Public safety	6,863	8,409	8,607	9,030	8,524	9,600	7,290
Health	1,776	2,949	4,289	3,173	4,466	3,506	3,717
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	34,237
Culture and recreation	950	1,013	2,592	3,186	3,462	3,265	3,267
Education	119	95	95	95	764	95	95
Home and community service	9,396	10,043	11,679	11,182	10,263	10,863	9,930
Operating grants and contributions	359,984	372,664	411,334	418,677	476,963	441,098	402,443
Capital grants and contributions	13,867	14,459	12,962	5,421	9,041	6,480	8,661
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>	<u>490,753</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	29,008
Purchase and resale of utilities	28,873	36,836	37,763	49,961	51,360	46,905	45,475
Operating grants and contributions	24,155	24,552	27,857	30,135	30,471	30,387	31,181
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>	<u>105,664</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>	<u>\$ 596,417</u>

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Net (Expense)/Revenue							
Governmental activities	\$ (562,466)	\$ (579,747)	\$ (702,649)	\$ (583,592)	\$ (586,523)	\$ (924,976)	\$ (925,362)
Business-type activities	23,163	(19,490)	(42,704)	(40,927)	(43,234)	(54,893)	(51,639)
Total primary government net expense	\$ (539,303)	\$ (599,237)	\$ (745,353)	\$ (624,519)	\$ (629,757)	\$ (979,869)	\$ (977,001)
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	\$ 239,333
Sales and use taxes	242,031	256,727	256,173	281,019	365,087	656,674	667,783
Transfer taxes	8,018	9,250	14,687	11,256	10,720	11,576	8,901
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	3,994
Miscellaneous	10,361	7,261	59,335	7,685	14,460	13,200	8,772
Gain on sale of capital assets	126	275	941	108	183	921	559
Special item - transfer of liability	(4,000)						
Transfers	41,852	9,133	13,291	(15,419)	(17,288)	(15,429)	(17,162)
Total governmental activities	482,802	436,372	505,987	462,254	592,607	898,451	912,180
Business-type activities: (2)							
Unrestricted state and local appropriations	22,186	24,042	26,089	25,815	27,894	30,233	32,524
Unrestricted interest earnings	381	307	201	403	955	1,128	663
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	17,162
Total business-type activities	(15,361)	15,508	12,813	41,362	44,245	46,790	50,349
Total primary government	\$ 467,441	\$ 451,880	\$ 518,800	\$ 503,616	\$ 636,852	\$ 945,241	\$ 962,529
Change in Net Assets							
Governmental activities	\$ (79,664)	\$ (143,375)	\$ (196,662)	\$ (121,338)	\$ 6,084	\$ (26,525)	\$ (13,182)
Business-type activities	7,802	(3,982)	(29,891)	435	1,011	(8,103)	(1,290)
Total primary government	\$ (71,862)	\$ (147,357)	\$ (226,553)	\$ (120,903)	\$ 7,095	\$ (34,628)	\$ (14,472)

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 seven 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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ 41,730	\$ 45,679	\$ 44,468	\$ 34,070	\$ 15,579	\$ 15,707	\$ 7,085	\$ 11,723	\$ 12,291	\$ 8,361
Unreserved	147,113	156,363	147,614	116,211	90,564	(10,774)	7,323	26,510	35,250	49,830
Total general fund	<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>	<u>\$ 58,191</u>
All other governmental funds										
Reserved	\$ 52,742	\$ 51,687	\$ 45,705	\$ 105,559	\$ 102,484	\$ 96,829	\$ 67,678	\$ 63,364	\$ 56,895	\$ 73,361
Unreserved, reported in:										
Special revenue funds	19,845	15,948	14,868	8,429	8,990	6,988	1,456	7,513	8,417	10,879
Debt service fund	10,813									
Capital project funds	14,550	217,757	211,915	113,561	41,761	56,411	75,024	58,787	30,277	(18,315)
Total all other governmental funds	<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>	<u>\$ 65,925</u>

Sources:

Erie County General Purpose Financial Statements 1999-2001
Erie County Basic Financial Statements 2002-2008

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Real property taxes and tax items	\$ 234,842	\$ 198,230	\$ 164,082	\$ 165,439	\$ 175,033	\$ 159,001	\$ 171,011	\$ 201,008	\$ 213,124	\$ 229,874
Sales and use taxes	228,276	239,659	241,814	242,031	256,727	256,173	281,019	365,087	656,674	667,783
Transfer taxes	7,295	7,255	7,360	8,018	9,250	14,687	11,256	10,720	11,576	8,901
Intergovernmental	327,747	324,177	382,255	383,396	393,744	423,443	416,006	478,233	440,722	408,732
Interfund revenues	26,262	28,006	28,893	37,303	40,697	9,876	1,488	250	177	323
Departmental	62,262	59,269	60,808	59,241	67,996	72,465	68,549	75,086	76,089	79,173
Interest	18,528	22,918	27,440	23,738	10,944	8,052	14,099	15,083	14,674	6,881
Miscellaneous	25,073	22,902	46,131	15,467	9,847	60,098	7,898	10,608	10,571	8,080
Total revenues	<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>	<u>1,409,747</u>
Expenditures										
General government support	68,936	77,226	74,887	81,164	81,254	97,538	105,998	98,641	368,292	368,288
Public safety	89,283	92,544	101,918	106,929	120,651	119,412	116,455	125,914	117,437	113,984
Health	50,080	53,719	60,838	62,540	71,031	93,095	73,013	72,284	73,355	82,646
Transportation	39,632	40,653	35,448	36,310	37,336	43,274	43,396	41,814	41,755	44,504
Economic assistance and opportunity	516,529	541,517	571,214	584,469	581,186	605,809	524,994	540,667	570,015	537,251
Culture and recreation	16,263	16,273	16,935	18,652	18,243	23,849	17,363	17,577	19,045	21,105
Education	37,362	40,128	43,387	45,893	50,946	55,417	61,137	65,690	65,523	65,169
Home and community service	28,285	31,222	32,889	39,771	38,199	34,182	34,629	77,928	48,198	45,908
Capital Outlay	40,496	57,213	74,334	106,558	148,630	133,815	59,237	75,997	48,038	41,966
Debt service:										
Principal retirement	26,422	25,250	21,452	23,148	24,024	21,988	28,790	36,516	43,427	50,875
Interest and fiscal charges	12,619	10,349	22,977	27,050	29,693	35,068	46,435	46,477	44,200	40,482
Total expenditures	<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>	<u>1,412,178</u>
Excess of revenues over (under) expenditures	4,378	(83,678)	(97,496)	(197,851)	(236,955)	(259,652)	(140,121)	(43,430)	(15,678)	(2,431)
Other financing sources (uses) :										
Proceeds of general obligation debt	26,469	273,125	40,569	63,078	98,011	99,222	103,530	70,205	5,374	0
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	279	142	134	126	275	941	108	183	966	579
Intergovernmental transfers in				78,647	44,429					
Transfers in	138,711	125,283	140,472	90,765	116,207	118,131	326,803	443,821	442,068	474,097
Operating transfers from component unit	1,057	1,093	1,148							
Transfers out	(105,960)	(83,069)	(102,914)	(127,560)	(151,503)	(94,132)	(342,222)	(461,109)	(457,497)	(491,259)
Operating transfers to component unit	(252)	(1,053)	(218)	(40)						
Total other financing sources (uses)	<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>	<u>(16,583)</u>
Net change in fund balances	\$ <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>	\$ <u>(19,014)</u>
Debt service as a percentage of non-capital expenditures (1)				4.8%	5.0%	4.9%	7.0%	7.2%	6.2%	6.2%

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 seven years.

Sources:

Erie County General Purpose Financial Statements 1999-2001
 Erie County Basic Financial Statements 2002-2008

COUNTY OF ERIE, NEW YORK
 Direct Sales Tax Rates (1)
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Fiscal Year	County Revenue Rate (2)	Revenue Base (4)
1999	2.06%	\$ 10,680,171
2000	2.06%	\$ 11,209,615
2001	2.06%	\$ 11,330,815
2002	2.06%	\$ 11,375,146
2003	2.06%	\$ 12,053,395
2004	2.06%	\$ 12,051,987
2005 (3)	2.31%	\$ 12,503,181
2006 (3)	2.81%	\$ 12,733,430
2007	2.81%	\$ 13,570,761
2008	2.81%	\$ 13,816,495

Notes:

(1) Rates in effect on December 31.

(2) A general sales and compensating use tax is levied on all taxable 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, \$101.8 million in 2007 and \$102.3 million in 2008.

(4) Calculated taxable sales in Erie County which generated Erie County revenue.

Sources:

Erie County Comptroller's Office
 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)

Fiscal Year	Residential Property (2)	Commercial Property (2)	Total Assessed Property Value	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Actual Taxable Equalized Full Value	Assessed Value (1) as a Percentage of Equalized Full Value
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%
2008	25,566,393	8,864,027	34,430,420	2,308,570	32,121,850	6.39	42,821,246	75.01%

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 Department of Real Property Tax Services

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)
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
2008	4.95	1.44	6.39	4.01	17.76	5.06	24.53

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 the City of Buffalo includes the levy for the Buffalo School District which receives funding from the City and is unable to levy taxes.

Source: Erie County Department of Real Property Tax Services

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

Taxpayer	2008			1999		
	Equalized Full Value	Rank	Percentage of Equalized Full Value (1)	Equalized Full Value	Rank	Percentage of Equalized Full Value (1)
National Fuel Gas	\$ 684,800,536	1	1.60%	\$ 601,596,388	2	1.86%
National Grid / Niagara Mohawk Power Corp.	565,948,192	2	1.32%	894,055,275	1	2.76%
Verizon New York Inc. (previously Bell Atlantic)	319,609,988	3	0.75%	306,298,863	3	0.95%
Benderson Development Co.	200,664,965	4	0.47%	252,275,208	4	0.78%
BG Properties, LLC	187,799,569	5	0.44%			
Pyramid Company of Buffalo	142,904,478	6	0.33%	110,054,279	7	0.34%
NY State Electric & Gas Corporation	125,823,147	7	0.29%	201,848,198	5	0.62%
DDR MDT LLC	119,863,500	8	0.28%			
Seneca One Realty LLC	84,000,000	9	0.20%			
Wegmans Food Markets	83,302,920	10	0.19%			
Consolidated Rail				165,351,162	6	0.51%
DeBartolo Capital				74,237,267	8	0.23%
Bethlehem Steel Corp.				66,018,407	9	0.20%
Manufacturers & Traders Trust Co.				59,395,389	10	0.18%
Totals	\$ <u>2,514,717,295</u>		<u>5.87%</u>	\$ <u>2,731,130,436</u>		<u>8.44%</u>

Note:

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

Source: Erie County 2008 Annual Report published by the Department of Real Property Tax Services

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 Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$ 221,666,390	\$ 269,025,883	\$ 490,692,273	\$ 472,702,077	96.33%	\$ 17,764,676	\$ 490,466,753	99.95%
2000	181,766,441	264,252,917	446,019,358	430,122,427	96.44%	14,602,146	444,724,573	99.71%
2001	152,529,551	272,025,188	424,554,739	411,135,430	96.84%	13,175,291	424,310,721	99.94%
2002	152,529,551	278,036,112	430,565,663	416,506,625	96.73%	13,839,554	430,346,179	99.95%
2003	152,529,551	294,505,821	447,035,372	446,461,743	99.87%	382,822	446,844,565	99.96%
2004	152,529,551	311,903,684	464,433,235	463,669,059	99.84%	318,871	463,987,930	99.90%
2005	157,641,299	335,876,407	493,517,706	492,180,009	99.73%	1,155,736	493,335,745	99.96%
2006	188,094,445	352,486,078	540,580,523	528,350,674	97.74%	7,367,563	535,718,237	99.10%
2007	200,031,205	369,188,266	569,219,471	555,858,355	97.65%	5,185,718	561,044,073	98.56%
2008	211,837,793	378,978,530	590,816,323	575,132,293	97.35%		575,132,293	97.35%

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.

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

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			
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	1.24%	446
2008	364,345		364,345	N/A	400

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 124 for personal income and population data.

N/A = Not available

Sources:

Debt: Erie County General Purpose Financial Statements 1999-2001

Erie County Basic Financial Statements 2002-2008

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)
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
2008	364,345	1.13%	400

Notes:

- (1) 2003 to 2008 - 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 2004-2008.
- (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 115 for property value data.
- (6) See the "Demographic and Economic Statistics" schedule on page 124 for population data.

Sources:

Debt: Erie County General Purpose Financial Statements 1999-2001
Erie County Basic Financial Statements 2002-2008

COUNTY OF ERIE, NEW YORK
 Direct And Overlapping Governmental Activities Debt
 As of December 31, 2008
 (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	06/30/07	\$ 249,256	100%	\$ 249,256
Towns	12/31/07	176,853	100%	176,853
Villages	05/31/07	17,402	100%	17,402
School districts	06/30/07	1,342,491	100%	1,342,491
Fire districts	12/31/07	13,715	100%	<u>13,715</u>
Subtotal, overlapping debt				1,799,717
County direct debt				<u>480,620</u>
Total direct and overlapping debt				<u>\$ 2,280,337</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 2008 (1)

Full value (average five-year valuation) (2)		\$ 38,297,058
Debt Limit (7 % of assessed value) (3)		<u>2,680,794</u>
Debt applicable to limit:		
General obligation bonds	\$ 621,348	
Less: RAN & Sewer bond exclusions	<u>(140,728)</u>	
Total net debt applicable to limit		<u>480,620</u>
Legal debt margin		\$ <u>2,200,174</u>

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	\$ 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	\$ 2,680,794
Total net debt applicable to limit	<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>	<u>480,620</u>
Legal debt margin	\$ <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>	\$ <u>2,200,174</u>
Total net debt applicable to the limit as a percentage of debt limit	9.62%	9.66%	9.88%	11.43%	14.43%	21.16%	23.28%	23.04%	20.53%	17.93%

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 - NYS Office of the State Comptroller - Data Management Unit
 Indebtedness and exclusions - Erie County Comptroller's Office
 Erie County General Purpose Financial Statements 1999-2001
 Erie County Basic Financial Statements 2002-2008

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

Fiscal Year	Tobacco Securitization Asset Backed Bonds										
	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
2008	18,064	163		(100)	19,940		(24)	38,043	3,865	14,285	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 nine years of data is presented.

Source: ETASC Financial Statements 2000-2008

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
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	32,943,811	36,116	155,280	4.8%
2008	909,845	N/A	N/A	152,366	5.8%

Note:

N/A = Not available

Sources:

Population: The 1999 and 2001 to 2008 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 1999-2000 and 2008-2009 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>2008</u>			<u>1999</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	16,755	1	3.76%	9,896	3	2.23%
Kaleida Health	10,000	2	2.25%	6,896	4	1.56%
U.S. Government	10,000	3	2.25%	11,879	1	2.68%
City of Buffalo	8,462	4	1.90%	10,199	2	2.30%
HSBC Bank USA, N.A.	5,848	5	1.31%	4,633	6	1.05%
Catholic Health System	5,191	6	1.17%	4,458	7	1.01%
Employer Services Corp.	5,033	7	1.13%			
Tops Markets Inc.	4,600	8	1.03%			
M & T Bank	4,431	9	1.00%	3,911	9	0.88%
County of Erie (1)	4,187	10	0.94%	6,351	5	1.43%
General Motors Corporation				4,000	8	0.90%
Catholic Diocese of Buffalo				3,900	10	0.88%
Total	<u>74,507</u>		<u>16.74%</u>	<u>66,123</u>		<u>14.91%</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 Five Fiscal Years (2)

Function	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government Support	881	631	668	671	627
Public Safety	1,276	1,149	1,172	1,091	1,181
Health	397	300	305	300	316
Transportation	239	146	150	153	151
Economic Assistance and Opportunity	1,699	1,481	1,569	1,624	1,559
Culture and Recreation	165	97	104	99	81
Education	47	40	36	35	32
Home and Community Service	261	230	244	247	240
Total	<u>4,965</u>	<u>4,074</u>	<u>4,248</u>	<u>4,220</u>	<u>4,187</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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government support										
Major construction projects successfully completed	26	25	27	31	30	33	20	6	4	5
Motor vehicle registrations processed by County Clerk	391,073	310,761	306,816	321,624	322,000	317,489	202,071	213,558	267,682	223,105
Cases prosecuted by the District Attorney's Office	50,263	48,968	56,255	57,569	54,838	50,895	53,015	55,010	51,718	47,792
Public safety										
Sheriff's calls for service	72,721	71,596	66,137	66,000	65,083	66,850	62,909	77,257	88,486	88,863
Vehicle and traffic arrests	11,976	12,464	14,212	15,250	12,950	13,963	7,410	7,694	8,432	10,068
Inmate population-Holding Center (average per day)	877	832	561	599	547	594	562	584	555	500
Inmate population-Correctional Facility (average per day)	772	756	803	911	873	925	917	924	914	864
Probation cases-supervised	6,145	8,617	8,162	8,482	8,486	7,803	9,200	9,640	11,705	5,410
Fire personnel trained	6,500	7,200	6,000	6,200	6,800	6,800	6,800	6,800	7,000	5,107
Health										
Patient visits - pediatric care	7,810	7,422	7,367	6,028	5,377	5,219	3,528	3,013	2,950	2,953
Persons served by Mental Health agencies (per month)	34,047	33,898	33,819	33,822	35,195	31,881	30,096	33,217	32,161	32,445
Transportation										
Bridges Inspected	150	282	78	220	71	240	85	246	71	248
Miles of roads receiving surface treatment	110	110	110	47	140	100	120	106	142	211
Economic assistance and opportunity										
Home Energy Assistance Program payments administered	69,550	105,200	136,397	105,200	113,200	116,575	138,777	120,000	108,909	119,758
Number of clients enrolled in Medicaid Managed Care Programs	58,050	64,300	60,800	62,529	69,935	72,485	73,047	69,434	66,755	76,615
Senior services home care to frail elderly (hours)	76,986	78,904	76,716	77,344	90,479	84,801	63,781	119,076	119,426	106,420
Culture and recreation										
Park attendance	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	1,700,000
Rounds of golf played	107,158	95,588	102,499	83,672	79,481	83,401	85,005	62,187	68,215	67,558
Education										
Children with special needs receiving service	3,012	3,191	3,384	3,664	4,231	4,666	5,263	4,549	4,577	4,206
Home and community service										
Sewer flow per day (millions of gallons)	36	42	39	45	41	44	43	45	43	59

Source: Various County Departments

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

Function (2)	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Public safety							
Emergency communication stations	2	2	1	1	1	1	1
Training centers operated by the County	3	3	3	3	3	3	3
Correctional facilities	1	1	1	1	1	1	1
Holding centers	1	1	1	1	1	1	1
Health							
Hospital	1	1	0	0	0	0	0
Home and Infirmary	1	1	0	0	0	0	0
Health Department clinics / in County-owned buildings	11 / 5	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	1,187
Highway maintenance facilities	11	10	5	5	5	5	5
Culture and recreation							
Parks	19	19	19	19	19	19	24
Park Acreage	10,657	10,657	10,657	10,657	10,657	10,657	9,686
Golf Courses	2	2	2	2	2	2	2
Education							
Erie Community College campuses	3	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	8,404
Erie Community College library volumes	160,605	159,408	149,039	139,757	145,174	146,574	135,097
Home and community service							
Miles of sanitary sewer	817	698	703	708	821	928	931
Miles of storm sewer	47	47	47	47	47	47	47
Pumping stations	79	77	77	77	94	100	100
Grinder pumps	430	453	462	462	462	463	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 seven 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