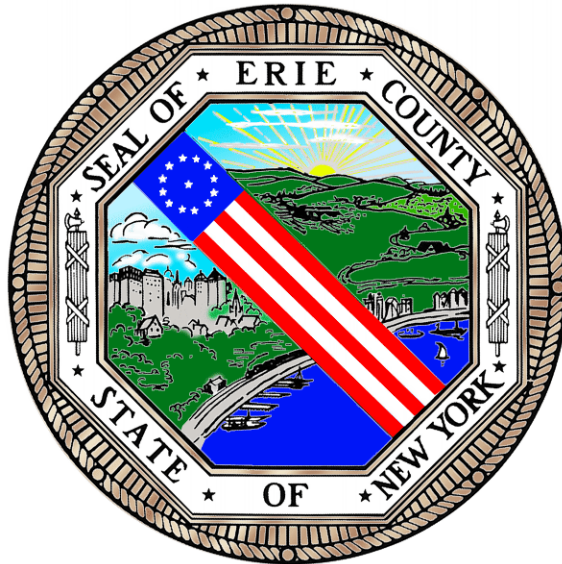


**COUNTY OF ERIE  
NEW YORK**

**Comprehensive Annual Financial Report**



**For the Year Ended December 31, 2003**

**NANCY A. NAPLES  
County Comptroller**

**COUNTY OF ERIE, NEW YORK**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Year Ended  
December 31, 2003**

**Prepared By:  
Erie County Comptroller's Office  
NANCY A. NAPLES  
County Comptroller**

**COUNTY OF ERIE, NEW YORK**

**TABLE OF CONTENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

**INTRODUCTORY SECTION**

	<u>Page</u>
Letter of Transmittal .....	i-xii
Summary of Elected Officials .....	xiii
Organizational Chart .....	xiv
GFOA Certificate of Achievement .....	xv

**FINANCIAL SECTION**

Independent Auditors' Report .....	1-2
Management's Discussion and Analysis .....	3-14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	16
Statement of Activities .....	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	18
Reconciliation of Statement of Net Assets to Governmental Fund Balances .....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	20-21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis of Accounting) - General Fund .....	23
Statement of Net Assets – Proprietary Funds .....	24
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	25
Statement of Cash Flows – Proprietary Funds .....	26-27
Statement of Fiduciary Net Assets – Fiduciary Funds .....	28
Notes to the Financial Statements .....	29-70
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	74-75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	76-77
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis of Accounting):	
Road Special Revenue Fund .....	78
Sewer Special Revenue Fund .....	79
Downtown Mall Special Revenue Fund .....	80
E-911 Special Revenue Fund .....	81
Debt Service Fund .....	82
Library Component Unit:	
Balance Sheet - Component Unit .....	84
Reconciliation of Statement of Net Assets to Component Unit Fund Balance .....	85
Statement of Revenues, Expenditures and Changes in Fund Balance – Component Unit .....	86
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Component Unit .....	87

**COUNTY OF ERIE, NEW YORK**

**TABLE OF CONTENTS (Concluded)**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

**STATISTICAL SECTION**

	<u>Page</u>
Government-wide Information:	
Government-wide Expenses by Function .....	90
Government-wide Revenues.....	91
Fund Information:	
General Governmental Expenditures by Function – Last Ten Fiscal Years .....	92
General Governmental Revenues by Source .....	93
Property Tax Levies and Collections – Last Ten Fiscal Years .....	94
Assessed and Equalized Full Value of Taxable Property – Last Ten Fiscal Years.....	95
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years .....	96
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita – Last Ten Fiscal Years.....	97
Computation of Debt-Contracting Margin.....	98
Computation of Direct and Overlapping Debt.....	99
Ratio of General Obligation Debt Service to Total General Expenditures – Last Ten Fiscal Years .....	100
Demographic Statistics .....	101
Property Value, Construction and Bank Deposits – Last Ten Fiscal Years.....	102
Principal Taxpayers .....	103
Miscellaneous Statistics.....	104
Recreational Facilities Operated by County Government.....	105
Principal Employers .....	106

## **INTRODUCTORY SECTION**

This section contains the following:

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



# County of Erie

**NANCY A. NAPLES**  
**COMPTROLLER**

July 29, 2004

The Erie County Legislature  
25 Delaware Avenue  
Buffalo, New York 14202

Honorable Joel A. Giambra  
Erie County Executive  
95 Franklin Street  
Buffalo, New York 14202

Dear Honorable Members and County Executive Giambra:

The Comprehensive Annual Financial Report (“CAFR”) of the County of Erie, New York, (the “County”) for the fiscal year ended December 31, 2003 is submitted in accordance with the requirements of Section 1202 (i) of the Erie County Charter.

## **INTRODUCTION**

### **Management Representation**

This report was prepared by the Erie County Comptroller's Office in conformance with current accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board (“GASB”) and the New York State Office of the State Comptroller. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the County. We believe the data as presented are accurate in all material respects, and are 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 to better evaluate the County's financial operations.

### **Organization of Report**

The CAFR is organized into three basic sections:

1. The INTRODUCTORY SECTION is intended to familiarize the reader with the organizational structure of the County, the nature and scope of the services that it provides, and the specifics of its legal operating environment.

2. The FINANCIAL SECTION includes the independent auditor's report on the basic financial statements, Management's Discussion and Analysis ("MD&A") of the County's overall financial position and results of operations, the audited basic financial statements including the accompanying note disclosures, and supporting statements to provide readers with a comprehensive understanding of the County's financial activities for the past fiscal year. This letter is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found on pages 3-14 of this report.
3. The STATISTICAL SECTION contains comprehensive statistical data on the County's physical, economic, social and political characteristics.

### The Reporting Entity and Its Services

Consistent with criteria promulgated in the GASB Codification, the financial statement reporting entity includes the County of Erie, New York (the primary government) and its significant component units. 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. The Buffalo and Erie County Public 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. It has been discretely presented because it is not simply an extension of the primary government (i.e., it has a substantively different governing body, and its services are provided to the general public). Additional detailed information relating to the specific organizations that have been included 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, the County operates pursuant to the County 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 (reduced from 17 members on January 1, 2004) governing board known as the County Legislature, each member of which is elected for a 2-

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: County Executive, County Comptroller, County Clerk, District Attorney, and Sheriff.

### **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 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. Continuing high levels of Canadian trade have helped, as has the Free Trade Agreement from which the area is uniquely positioned to benefit.

Unemployment trends in the County and the region followed national trends by edging upward in 2002 and 2003. The County's unemployment rate was slightly over 6 percent in 2003, up from a historic low of 5 percent in 2000. Total non-farm employment was 536,500 in the Buffalo-Niagara Falls Metropolitan Statistical Area ("MSA") in 2003, down 1.2 percent from 2002.

The Western New York area possesses numerous economic assets that provide significant potential for economic growth and diversification. The region benefits from one of the most comprehensive, state-of-the-art fiber optic networks in the world. Representatives of the region's most progressive corporate entities formed the Buffalo Niagara Enterprise ("BNE") in 2000 with \$27 million in both public and private sector funds to provide a gateway for business inquiries and economic development in the region. Officials of the County and other municipalities also continue to work aggressively to promote our economic assets, with an emphasis on attracting selected "high-tech" and service industries, as well as specialty manufacturing. This venture hit a home run in December 2003 when Geico Direct announced that it would open a regional service center in Amherst, New York, resulting in at least 2,500 jobs by 2006 and an investment of approximately \$40 million. The BNE spearheaded a cooperative effort that included New York State, the County, the Erie County Industrial Development Agency ("ECIDA") and the private sector.

There is also 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. The County's waterfront is a major resource in this regard, and has been the focus of significant residential and commercial development. In the first of many waterfront improvements to come, the new Veterans Park along Erie Canal was officially opened in July 2003. Ongoing development of the Erie Canal Harbor area is expected to provide a huge beneficial impact to the region. In January 2004, the Niagara Frontier Transportation Authority issued a Request for Proposal ("RFP") for the redevelopment of the outer harbor. The Niagara Frontier Transportation Authority is expected to give four development teams a chance to submit master-plan proposals this summer.

In 2003, the Buffalo Sabres National Hockey League (the "Sabres") franchise was purchased by B. Thomas Golisano, founder and principal shareholder of Paychex, Inc. This positive resolution to the Sabres issue keeps the anchor tenant in the HSBC Arena ("Arena"), which opened in downtown Buffalo in 1996. Public and private financing was used for this \$120 million project, which will, under the new Sabres management team, expand its bookings for major entertainment events. The Arena is also home to the National Lacrosse League's Buffalo Bandits, as well as the site of college basketball and has hosted the first round of the National Collegiate Athletic Association ("NCAA") Basketball Tournament in 2000 and 2004 and will again be a host in 2007.



The resistance of the local economy to the worst effects of recessions, and the success to date of 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 2003 as in 2002, the County's sales tax revenue reflected positive growth.

However, Medicaid relief continues to be critical for counties in New York State, as it constitutes the single costliest mandated program. Local governments in New York State support a greater portion of Medicaid costs than local governments of any other state. The County's Medicaid cost has increased by \$81 million since 1999 and will rise by another \$29 million in 2005. The County's administration has been sending the message to the State Governor and State Legislature that the State's system for handling the Medicaid program needs reform. However, it does not appear that the solution will happen in the near future.

Due to the County's aggressive new intervention and intake-screening measures implemented in 2000, the need for public assistance and support has declined significantly. Welfare caseloads have declined significantly from December 1994 highs of 33,033 to 11,860 in 2003. Since 2000, over 75 percent of those applying for welfare are diverted to subsidized employment, to job-training or to other means of income support. Child Support collections have grown by 22 percent.

The County budget provides aid for the County's three cities, which have not shared proportionally in benefits from the region's economic growth. The County Administration has aggressively pursued inter-municipal agreements as a means of achieving streamlined service-delivery systems. At the County's request, a private-sector panel called the "Who Does What?" Commission was established in 2000 to study governments in the County of Erie, New York, and has made recommendations for consolidating and streamlining government services across the County. County government has provided grants to municipalities that undertake cooperative projects that will lead to service improvements and/or a lower overall cost in public services. For example, the City of Tonawanda and the Village of Lancaster have successfully consolidated their water systems with the Erie County Water Authority, while the County facilitated police consolidations between the Village and Town of Lancaster and between the Village of Angola and the Town of Evans.

As the City of Buffalo had a July 2003 imposition of a state-created Financial Control Board (until at least July 2006), County government is prepared to facilitate the consolidation of water, wastewater, information technology, public safety and financial reporting and control systems so that the region's largest municipal corporation can meet financial targets.

A number of activities have been developed that are targeted at strengthening the cities and urban centers throughout the County. The City of Buffalo completed its Downtown Buffalo Master Plan, which includes components such as transportation, tourism, downtown housing, entertainment, and cultural activities. Planning and identification of funding sources are ongoing in the development of the 72- acre Buffalo Niagara Medical Campus and for the Buffalo Center for Excellence in Bioinformatics. Two new buildings for Hauptman-Woodward Medical Research Institute Structural Biology Research Center and New York State Center for Excellence in Bioinformatics and Life Sciences at SUNY at Buffalo are currently under construction at the Medical Campus. The County's investment of \$5 million in the Buffalo School District capital improvement effort started in 2001 will leverage more than \$500 million in new school construction, providing both new education infrastructure and enduring economic stimulus to the region.

In the 2003 County Budget, an unprecedented \$50 million of new capital investment in bridge, culvert and road repair was authorized. The County's capital investment leverages approximately \$50 million more in state and federal infrastructure capital. The total impact on employment during the construction period is an additional 1,400 jobs.

An important project undertaken by the County, since 2002, was a commitment to a new enterprise software system that would reduce the need for approximately 200 mid-level administrative employees and result in better financial, personnel and inventory controls. The project was implemented in May 2004.

In October 2001, the County Executive earmarked \$1 million of the County's annual federal block grant budget for southern County villages, to assist in the revitalization of the County's village, town, and hamlet communities. These projects in Springville, Angola, Gowanda and Holland are currently being developed.

The outlook for continued economic health and net job creation in the region remains positive. The regional economy is expected to slowly continue to grow, with related gains in employment.

### Significant Private Investments in Erie County

- Geico Direct
  - Announced in December 2003, it would open a regional service center in Amherst, New York, resulting in the creation of at least 2,500 jobs by 2006 and an investment of approximately \$40 million.
  - The first phase of hiring that involves filling 450 to 500 jobs has begun.
- CertainTeed Corporation
  - Construction has already started on a new 250,000-square-foot manufacturing facility in the redeveloped Buffalo Lakeside Commerce Park.
- Definity Health
  - Construction has begun on a new 50,000 square-foot service center for Minneapolis-based insurance provider, Definity Health. The company, along with 360 jobs, plans to locate in Colvin Woods Business Park, which will be a part of the Town of Tonawanda's Empire Zone.
- Safetec of America
  - In December 2003, this manufacturer of infection control products announced plans for its new \$2.7 million facility on Kensington Avenue in the City of Buffalo.
- Curtis Screw
  - The City of Buffalo was also able to retain Curtis Screw, which plans to consolidate its two Buffalo plants and move to a new 150,000 square-foot facility located in the new Buffalo Industrial Park.
- General Motors ("GM") Powertrain Engine Plant, River Road, Tonawanda
  - In May 2001, General Motors (GM) broke ground for construction of a \$500 million new engine plant at its Tonawanda engine facility. The new plant went on-line in the summer of 2003, producing engines for 2004 model year vehicles. GM has also announced the award of two new V-6 engines to be produced after an additional \$300 million investment. The two new V-6 engine lines are under construction and expect to ship engines in late 2004. The engine lines have resulted in the creation of an additional 300 jobs in the community through the establishment of off-site hot testing and shipping businesses. These projects, along with an earlier \$300 million investment by GM, mean that the plant remains the largest engine manufacturing facility in the world and solidifies the over 4,000 jobs there.
- Praxair, Tonawanda
  - \$35 million investment in renovating and equipping its 26-building campus over the last three years.
  - Initial phase of an over \$10 million plan to invest in new R&D facilities.
  - Transfer-in from other facilities of over 30 Ph.D.-level employees.

## **MAJOR INITIATIVES**

### **Tobacco Settlement Securitization**

The County successfully securitized its share of the payouts to which it would be entitled from the 1998 Master Settlement Agreement between 46 states and 6 other United States jurisdictions and the 4 largest United States Tobacco manufacturers. The County sold its rights to tobacco settlement revenues to the Erie Tobacco Asset Securitization Corporation ("ETASC"), which is a special purpose local development corporation organized under the New York Not-for-Profit Corporation Law. ETASC is an instrumentality of, but separate from, the County. The bonds issued by ETASC to provide funds to purchase the County's tobacco asset are not a debt of the County, nor is the County liable thereto. Neither the credit, nor the revenues or taxing power of the County has been pledged to the payment of the ETASC bonds. This securitization yielded \$211.7 million in net proceeds, which were placed in trust, the proceeds of which are being used to finance capital projects of the County.

### **Property Tax Relief**

In the 2004 Budget as enacted, the County property tax levy is \$153 million, which is \$69 million or 31 percent lower than the County property tax levy of 1999. The County Administration implemented this policy change because of mounting evidence that Erie County was experiencing depopulation and disinvestment due, at least in part, to an unfavorable local tax burden.

### **Business Development and Job Growth**

In December of 2003, Geico Direct announced that it would open a regional service center in Amherst, New York, resulting in at least 2,500 jobs by 2006, and an investment of approximately \$40 million. This was followed by the announcement in early 2004 that Minneapolis-based Definity Health would move the company's entire servicing operation to a new \$10.3 million facility to be built in the Colvin Woods Business Park in the Town of Tonawanda.

### **Administrative Consolidation**

The County has sought to achieve administrative efficiencies both within and outside of County government. Among the initiatives sought since 2000, the County enacted, by public referendum, the administrative consolidation of the Erie County Holding Center with the Erie County Correctional Facility. Several other intragovernmental consolidation efforts have been completed or are underway. In 2004, major reorganizations in the County's various social and human service agencies will be implemented, following the completion of the "Blueprint for Change" process undertaken in 2000.

As mentioned previously, the County-wide Who Does What? Commission was impaneled and reported its recommendations. Local governments, including Erie County, are now implementing various recommendations for cost-saving collaboration among the municipal entities in the County.

Responding to the recommendation of the Who Does What? Commission to explore pooled investment options available to municipalities, the County Comptroller performed a survey of investment options used by Erie County municipalities. As a result, after working with local banks, a new "Erie County High- Yield Money Market Account," administered by JPMorgan Chase Bank, was created and offered to each of 108 cities, towns, villages, school districts, fire districts, and Board of Cooperative Education Services in Erie County.

## Cultural Tourism Promotion and Attraction Development

The County Administration maintains its commitment to tourism, particularly cultural tourism, as a priority target industry for regional development. Through the County Administration's efforts, an unprecedented coordination of the activities of the Buffalo Niagara Convention and Visitors Bureau ("BNCVB"), with those of the region's largest and most distinctive cultural organizations, continues to grow the business of tourism in our County and region.

In 2004, the County's commitment to tourism included the BNCVB budget of \$2.9 million, plus additional funds to the BNCVB in the amount of \$200,000, for special events, amateur athletic competitions, and sports fishery promotion in the County. An additional \$1.5 million operating investment was provided to the Buffalo Niagara Convention Center. The County continued its national leadership role in supporting cultural resources, particularly those that have a significant cultural tourism role, by providing approximately \$7 million in County funds to our most distinguished cultural organizations. This investment in tourism and cultural tourism leverages millions of additional dollars in the Buffalo-Erie County community.

The County Administration has continued to invest heavily in refurbishing visitor attractions, including new exhibits at the Buffalo Zoo, the Buffalo Museum of Science, the Olmsted-designed parks system, the Buffalo and Erie County Botanical Gardens, and in architectural restoration, including Shea's Performing Arts Center and especially two Frank Lloyd Wright-designed complexes, Graycliff and the Darwin Martin House. Ground will be broken in 2004 for a Wright-designed gas station and in 2005 for the Wright-designed Towing Boathouse, which will add to our national and international visitor appeal.

The County Administration has confirmed its interest and intent in preserving the financial integrity of cultural assets currently owned by the distressed city government of Buffalo, by executing a Sales Agreement in 2004, whereby, the County will assume ownership of Shea's Performing Arts Center, Kleinhans Music Hall (home of the Buffalo Philharmonic Orchestra) and the Buffalo Zoo from the City of Buffalo.

These economic development goals and related activities focus on attraction-development and capital investment. These efforts are meant to create attractions that will draw tourist dollars for the hospitality industry, and also assure that the City, County, and region are vital partners and components in the evolving world-class bi-national tourism destination that is being developed and guided by government and business sector representatives on both sides of the Niagara River.

## Marketing and Economic Development Efforts

Unprecedented steps have been taken toward achieving a functional integration of the area's disparate economic development entities.

The County has undertaken several initiatives designed to streamline County government, to aid in business development, and to address various regional issues. Some of the more significant initiatives are discussed in this section.

In 2000, an ECIDA Alliance was created in an effort to integrate staff of the six local IDAs and the many township and city local development corporations. Since 2001, the County's Office of Economic Development has worked with several of these local development corporations to actively meet with companies in their communities through Erie County's Business Retention Program.

The boards of the BNCVB and of the Convention Center Management Corporation have been consolidated. These two bodies now function as one, with the result that marketing efforts for the convention and meetings business at County and private venues are fully integrated. The County invests over \$10 million annually in combined support for the BNCVB and in cultural resources, and is working to better integrate these efforts into the County's regional economic development effort.

Erie County continues to provide over 20 percent of the annual budget of the BNE, the public/private partnership for marketing the region to potential investors. In support of this effort, the County created the Regional Economic Development Database ("REDD") and consolidated all County Geographic Information Systems, so that business development efforts are grounded in immediately accessible data.

Working with the State of New York and the cities of Buffalo and Lackawanna, the County has also made a significant commitment to redeveloping abandoned industrial sites. The County has allocated \$4 million to turn brownfields into "shovel-ready" development parcels. Remediation work is underway at the former Union Ship Canal area (now known as Buffalo Lakeside Commerce Park) in Buffalo and the Excelsior Steel Ball site in Tonawanda.

The County assisted in an effort that successfully obtained designation of the cities of Buffalo, Niagara Falls and Lackawanna as federal "renewal communities," bringing additional incentives to attract investment back to the cities.

Through grants from the County and Niagara County, the BNE hired Deloitte & Touche Fantus to come to the Western New York area and study 103 industrial sites. Through this study the BNE identified shovel-ready land and additional sites that could become part of an inventory with some development work. This work has been annually updated by the County's Office of Economic Development.

### Criminal Justice Programs

In the County, as elsewhere, criminal justice facilities are bursting at the seams. The County has responded by adding beds to its correctional facility, and successfully challenged the State of New York in court to require the timely removal of State prisoners from the overcrowded County Holding Center, thus relieving pressure on local facilities and improving conditions for local prisoners.

Criminal activities are unfortunately not restricted to adults. There has been dramatic growth in the number of troubled youth detained at the County's detention facility. A new detention center was constructed and opened in September 2003, at a cost of \$16 million.

To help alleviate overcrowding, efforts have been made to offer alternatives to incarceration or detention for both youth and adults. "Release Under Supervision" programs are being expanded and extended to the Detention Center's youth placed under "house arrest," and new supervised home confinement programs have been implemented for youth.

### Court Facility Improvement

After considerable discussion and negotiation with the State Office of Court Administration, the County's nearly \$93.3 million Court Facility Improvement project is progressing.

In 2003, the County Legislature authorized bonds of \$57.6 million for extensive renovations to existing court facilities, including those located in the County's historic Old County Hall building. Also in 2003, an additional \$1.1 million was authorized for the project to allow the County to enter into Project Labor Agreement ("PLA") agreements to bring the total authorization for the project to \$58.7 million. These

projects stand as premier capital investments by the County.

### Welfare Reform

Building on previous successful efforts to implement welfare reform including strategies such as the "Child Assistance Program," diversion programs to quickly link public assistance applicants to employment services, and creation of a special "front door unit" to assess the need for services and assistance, in 1997 the Department of Social Services began to fully implement federal welfare reform. Enhanced funding was provided in the 2000, 2001, 2002 and 2003 County budgets for expanded employment services, transportation, child care, and transitional support for clients entering the labor force, as well as for the computerized system enhancements required for implementation of welfare reform programs.

The County has implemented a proven "Work First" strategy that is aimed at employment of applicants and recipients at the earliest possible opportunity. This involves the diversion of potential new welfare recipients into employment through a required three-week structured job search activity, prior to case opening. Those who are unsuccessful are then assigned to the most appropriate follow-up activities (workfare, community service, training, etc.).

The Department of Social Services continues to re-engineer its activities and processes in significant ways to support the Work First strategy, to focus on what is necessary to successfully move recipients into self-supporting employment, and to provide the necessary transitional supports to maximize job retention once recipients enter the labor force.

Most significantly, the County has maintained an intensive, targeted effort to secure employment and welfare exit of those cases that would reach their 60-month federal eligibility limit. The Work First strategy has been further reinforced by conversion of the department's front door unit into a comprehensive Erie County Works Center, better integrating employment, diversion and temporary assistance eligibility functions.

## **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 addition to the review and evaluation of internal accounting controls performed in conjunction with the annual independent audit of the County's financial statements, 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. During the course of the year, the Audit Division conducted five compliance audits and issued reports containing recommendations for corrective action to the Legislature and County Executive.

## 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 fund and the community college are maintained on an accrual basis.

## Budgetary Controls

Annual appropriated budgets, adopted for control of the General Fund; Road, Sewer, Downtown Mall, and E-911 Special Revenue Funds; the Utilities Aggregation Enterprise Fund; and the Debt Service Fund, minimally detailed to the department and account level are not presented in this report due to the excessive detail involved. However, a separate budgetary comparison report is available which contains this information. A fund level budget is used for the Erie County Medical Center Enterprise Fund. 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, as well as in the year of expenditure, if the expenditure occurs in a fiscal year subsequent to the commitment in the General and the enumerated Special Revenue Funds. 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 and are re-established in the next fiscal year. 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, 2003, were 1.14 percent and \$326.41 respectively, based on net general bonded debt of \$307,249,067.

The County's current bond rating, as assigned by rating agencies, is as follows: Moody's: A3; and Fitch: A+. These ratings reflect numerous positive factors relating to the County's financial condition, including the County's financial flexibility, its trend of sound financial operations and record of conservative budgeting and tight cost control, as well as its improved liquidity and manageable debt position.

## Cash Management

Available cash is deposited and invested in accordance with the provisions of applicable New York State statutes, and the County Comptroller's Office Investment Guidelines that have been approved by the

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

The Comptroller's Office oversees the investment of available cash balances, except for those related to the proceeds from the securitization of the County's tobacco asset. For 2003, the Comptroller's Office made a total of 1,735 investments, and the weighted average yield for such investments was 1.50 percent.

### Risk Management

The County assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Policies are maintained to provide coverage on items such as the Library System's rare books and valuable papers; boilers, machinery, buildings and certain contents thereof for the Community College's City 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, the Erie County Medical Center, 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 CAFR for the fiscal year ended December 31, 2002. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County has received a Certificate of Achievement for the last sixteen consecutive years (i.e., the fiscal years ended December 31, 1987-2002). We believe our current CAFR continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.



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,



NANCY A. NAPLES

County Comptroller

jr

**COUNTY OF ERIE, NEW YORK**  
**SUMMARY OF ELECTED OFFICIALS**  
**December 31, 2003**

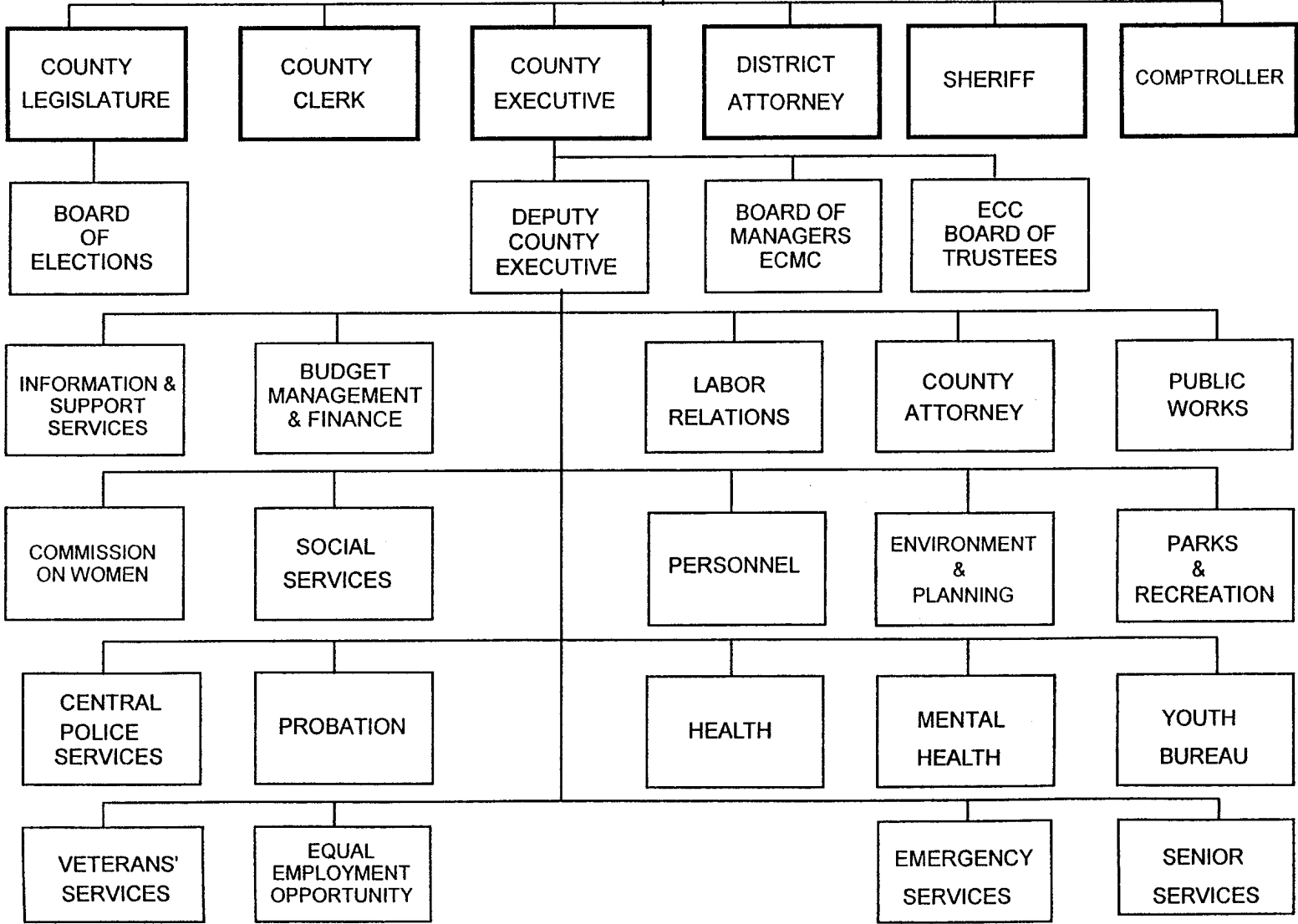
<b>COUNTY CLERK</b> David J. Swarts	<b>COUNTY EXECUTIVE</b> Joel A. Giambra	<b>DISTRICT ATTORNEY</b> Frank J. Clark	<b>SHERIFF</b> Patrick M. Gallivan	<b>COUNTY COMPTROLLER</b> Nancy A. Naples
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**ERIE COUNTY LEGISLATORS**

District No. 1	Edward J. Kuwik	District No. 10	Charles M. Swanick
District No. 2	Mark J.F. Schroeder	District No. 11	Lynn M. Marinelli
District No. 3	George A. Holt, Jr.	District No. 12	Jeanne Z. Chase
District No. 4	Judith P. Fisher	District No. 13	Steven P. McCarville
District No. 5	David Dale	District No. 14	Elise M. Cusack
District No. 6	Albert DeBenedetti	District No. 15	Barry A. Weinstein, M.D.
District No. 7	Demone A. Smith	District No. 16	Michael H. Ranzenhofer
District No. 8	Raymond K. Dusza	District No. 17	Dale W. Larson
District No. 9	Gregory P. Falkner		

# ERIE COUNTY ORGANIZATIONAL CHART

CITIZENS OF ERIE COUNTY



# 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, 2002

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



President

Executive Director

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## **FINANCIAL SECTION**

This section contains the following:

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

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Erie, New York (the "County") as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the foregoing 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2003, 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 as listed in the forgoing Table of Contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of the County's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the County's respective financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the County's management. The combining and individual fund financial statements 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. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script, appearing to read "Deloitte & Touche LLP".

July 14, 2004



**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2003**

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 fiscal year ended December 31, 2003, and incorporates December 31, 2002, 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 2003 fiscal year by \$618,040 (*net assets*). Of this amount, \$8,299 (*unrestricted net assets*), may be used to meet ongoing obligations to citizens and creditors. The \$8,299 is the net of \$42,301 from Governmental Activities and (\$34,002) from Business-type activities. In addition, \$110,767 of the total net assets is restricted for specific purpose (*restricted net assets*), and \$498,974 is invested in capital assets, net of related debt.
- The government's total net assets for 2003 decreased by \$147,357, of which \$143,375 was attributed to governmental activities and \$3,982 was attributed to business-type activities.
- As of December 31, 2003, the County's governmental funds reported combined fund balances of \$259,378, a decrease of \$118,452 from December 31, 2002. Approximately 54% of the combined fund balances, \$141,315, 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 \$90,564 (85%) of total general fund balance. The amount of \$35,000 is designated for subsequent year's expenditures within the 2004 fiscal year budget. Total designated fund balance at December 31, 2003 is \$72,703.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Basic Financial Statements**

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

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**DECEMBER 31, 2003**

**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 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 the Erie County Medical Center ("Medical Center"), and Erie Community College ("College").

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 for which the County is financially accountable. Financial information for this *component unit* of the County is reported separately from the financial information presented for the primary government itself. The Library does not issue separate financial statements.

**The government-wide financial statements can be found on pages 16 and 17 of this report.**

*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 13 individual 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, Grants Fund, and Tobacco Proceeds Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The County adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**The basic governmental fund financial statements can be found on pages 18-23 of this report.**

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**DECEMBER 31, 2003**

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

*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 Medical Center, the College, and a nonmajor fund (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 Medical Center and College are considered to be major proprietary funds of the County.

**The basic proprietary fund financial statements can be found on pages 24-27 of this report.**

*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.

**The basic fiduciary funds financial statements can be found on page 28 of this report.**

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

**The Notes can be found on pages 29-70 of this report.**

**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; and Fund Financial statements for the discretely presented Library component unit. They are presented immediately following the Notes to the Basic Financial Statements.

**Combining and Individual Fund Financial Statements and Schedules can be found on pages 74-87 of this report.**

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**DECEMBER 31, 2003**

**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 \$618,040 at the close of the most recent fiscal year.

**Summary of the County of Erie, New York's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 545,938	\$ 627,063	\$ 66,725	\$ 54,360	\$ 612,663	\$ 681,423
Capital Assets	737,582	641,748	91,187	94,319	828,769	736,067
Total assets	<u>1,283,520</u>	<u>1,268,811</u>	<u>157,912</u>	<u>148,679</u>	<u>1,441,432</u>	<u>1,417,490</u>
Long-term liabilities outstanding	422,718	331,894	51,236	58,554	473,954	390,448
Other liabilities	287,031	219,771	62,407	41,874	349,438	261,645
Total liabilities	<u>709,749</u>	<u>551,665</u>	<u>113,643</u>	<u>100,428</u>	<u>823,392</u>	<u>652,093</u>
Net assets:						
Invested in capital assets, net of related debt	424,596	414,620	74,378	71,830	498,974	486,450
Restricted	106,874	177,749	3,893	4,520	110,767	182,269
Unrestricted	42,301	124,777	(34,002)	(28,099)	8,299	96,678
Total net assets	<u>\$ 573,771</u>	<u>\$ 717,146</u>	<u>\$ 44,269</u>	<u>\$ 48,251</u>	<u>\$ 618,040</u>	<u>\$ 765,397</u>

The largest portion of the County's net assets (\$498,974 or 81%) 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. 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.

Another significant portion of the County's net assets (\$110,767 or 18%) represents resources that are subject to external restrictions on how they may be used.

The remaining \$8,299 (1%) balance of the County's net assets represents *unrestricted net assets*, which may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current and prior fiscal years, the County was able to report positive balances in all three categories of net assets for the County as a whole. Reclassifications were made within the 2002 business-type activities net assets to conform to the current year's presentation.

The County's net assets decreased by \$147,357 during the current fiscal year, which is further explained in the next section.

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**DECEMBER 31, 2003**

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

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

**Summary of County of Erie, New York's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 71,199	\$ 64,282	\$ 350,902	\$ 364,558	\$ 422,101	\$ 428,840
Operating grants and contributions	372,664	359,984	24,552	24,155	397,216	384,139
Capital grants and contributions	14,459	13,867	67	41	14,526	13,908
General revenues:						
Property taxes	146,543	164,621			146,543	164,621
Sales taxes	265,977	250,049			265,977	250,049
Non-operating revenue			24,042	22,186	24,042	22,186
Interest earnings not restricted to specific programs	4,202	16,442			4,202	16,442
Unrestricted interest earnings	2,981	3,351	307	381	3,288	3,732
Miscellaneous and other	7,536	10,487			7,536	10,487
<b>Total revenues</b>	<b>885,561</b>	<b>883,083</b>	<b>399,870</b>	<b>411,321</b>	<b>1,285,431</b>	<b>1,294,404</b>
<b>Expenses:</b>						
General government	94,547	80,900			94,547	80,900
Public safety	118,743	109,422			118,743	109,422
Health	70,179	61,874			70,179	61,874
Transportation	60,438	50,801			60,438	50,801
Economic assistance and opportunity	555,306	563,179			555,306	563,179
Culture and recreation	28,431	29,170			28,431	29,170
Education	52,548	48,917			52,548	48,917
Home and community service	42,528	44,137			42,528	44,137
Interest and Fiscal Charges	15,349	12,199			15,349	12,199
Medical Center			276,369	260,635	276,369	260,635
College			82,717	76,350	82,717	76,350
Nonmajor fund			35,925	28,606	35,925	28,606
<b>Total expenses</b>	<b>1,038,069</b>	<b>1,000,599</b>	<b>395,011</b>	<b>365,591</b>	<b>1,433,080</b>	<b>1,366,190</b>
Excess (deficiency) before special items and transfers	(152,508)	(117,516)	4,859	45,730	(147,649)	(71,786)
Special items		(4,000)		4,000	0	0
Intergovernmental transfers	44,429	78,647	(44,429)	(78,647)	0	0
All other transfers	(35,296)	(36,795)	35,588	36,719	292	(76)
Change in net assets	(143,375)	(79,664)	(3,982)	7,802	(147,357)	(71,862)
Net assets - beginning	717,146	796,810	48,251	40,449	765,397	837,259
Net assets - ending	\$ 573,771	\$ 717,146	\$ 44,269	\$ 48,251	\$ 618,040	\$ 765,397

**Governmental Activities**

Governmental activities decreased the County's net assets by \$143,375.

Key elements of this decrease are as follows:

- Property Taxes revenue decreased by \$18,078 (11 %) during the year. This decrease is mainly attributable to the 2003 securitization of tax liens, (reduced interest of \$8,271 and liens sold at less than book value \$8,381).
- Interest earnings not restricted to a specific program revenue decreased by \$12,240 (74 %). This decrease is due to reduced interest rates and reduced principal balances in the Tobacco Securitization investments.

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**DECEMBER 31, 2003**

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

**Business-type Activities**

Business-type activities decreased the County's net assets by a net of \$3,982.

For the year ended December 31, 2003, the Medical Center's Net Assets decreased by \$7,068 mainly due to a decrease of \$4,359 in the transfer-in from the County as well as the recognition in 2002 of a malpractice liability transfer to the County in the amount of \$4,000.

The College's net assets increased by \$2,175 due mainly to increased enrollment of 7.1%, resulting in increased tuition and fee revenue and state aid. The County sponsorship share of support to the College for the College fiscal year ended August 31, 2003 was \$16,209 and is reported as a 2003 operating transfer by the College.

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

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

**Governmental Funds**

The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Project 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, 2003, the County's governmental funds reported combined fund balances of \$259,378, a decrease of \$118,452 in comparison with the prior year. Approximately 54% of the combined fund balances, \$141,315 constitutes *unreserved fund balance*, which is available to meet the County's current and future operational and capital needs. Of this amount \$77,983 was designated (segregated as explained on pages 39 to 40 of this report) for a specific purposes by the County, and the remainder, \$63,332, was reported as undesignated. 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 (\$90,617); (2) to pay debt service (\$18,404); (3) to reflect prepaid items and advances to other funds that are long-term in nature and thus do not represent available spendable resources (\$6,542); and (4) for a variety of other restricted purposes (\$2,500).

The general fund is the chief operating fund of the County. At December 31, 2003, unreserved fund balance of the general fund was \$90,564 while total fund balance was \$106,143. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12% of total fund expenditures (excluding other financing uses), while total fund balance represents 14% of that same amount.

Revenues for governmental functions totaled approximately \$949,336 in fiscal year 2003, which represents an increase of 3% from fiscal year 2002.

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**DECEMBER 31, 2003**

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

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year:

	2003		2002		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
	Revenues:					
Real property taxes and tax items	\$ 175,033	18.44	\$ 165,439	18.03	\$ 9,594	5.80
Sales, use and transfer taxes	265,977	28.02	250,049	27.25	15,928	6.37
Intergovernmental	380,299	40.06	367,919	40.09	12,380	3.36
Interfund revenue	40,697	4.29	37,303	4.06	3,394	9.10
Departmental	67,996	7.16	59,241	6.46	8,755	14.78
Interest	9,487	1.00	22,217	2.42	(12,730)	(57.30)
Miscellaneous	9,847	1.03	15,467	1.69	(5,620)	(36.34)
Total revenues	<u>\$ 949,336</u>	<u>100.00</u>	<u>\$ 917,635</u>	<u>100.00</u>	<u>\$ 31,701</u>	

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Real property taxes and tax items – the \$9,594 increase was mainly due to the impact of the first-time Tax Securitizations which occurred in 2003.
- Sales, Use and Transfer Taxes – the \$15,928 increase in sales, use and transfer taxes was due to an increase in consumer spending and hotel occupancy.
- Intergovernmental – the \$12,380 increase in Intergovernmental revenue was due to an increase in state aid for various programs.
- Departmental Revenue – the \$8,755 increase in Departmental Revenue was principally attributable to a rise in recording, court, tax assessment fees and social services' recoveries.
- Interest Income – the \$12,730 decrease in Interest Income resulted from less funds being available for investment and the decline in interest rates experienced in 2003.
- Miscellaneous Revenue – the decrease of \$5,620 was mainly due to the recognition in 2002 of non-recurring revenue in Social Services' programs.

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**DECEMBER 31, 2003**

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

The following table presents expenditures by function compared to prior-year amounts:

Expenditures:	2003		2002		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
	Current:					
General government support	\$ 81,939	6.91	\$ 81,019	7.27	\$ 920	1.14
Public Safety	121,468	10.25	106,929	9.60	14,539	13.60
Health	71,270	6.01	62,540	5.61	8,730	13.96
Transportation	37,336	3.15	36,310	3.26	1,026	2.83
Economic Assistance and opportunity	581,739	49.08	584,469	52.45	(2,730)	(0.47)
Culture and recreation	18,243	1.54	18,652	1.67	(409)	(2.19)
Education	50,981	4.30	45,893	4.12	5,088	11.09
Home and Community Service	38,224	3.23	39,771	3.57	(1,547)	(3.89)
Capital outlay	148,630	12.54	106,558	9.56	42,072	39.48
Debt service:						
Principal retirement	21,124	1.78	20,653	1.85	471	2.28
Interest and fiscal charges	14,357	1.21	11,560	1.04	2,797	24.20
Total expenditures	<u>\$ 1,185,311</u>	<u>100.00</u>	<u>\$ 1,114,354</u>	<u>100.00</u>	<u>\$ 70,957</u>	

The following provides an explanation of the expenditures by function that changed significantly over the prior year:

- Public Safety – the \$14,539 increase in Public Safety was primarily due to increases in personal services expenditures, including overtime, and fringe benefits.
- Health – the \$8,730 increase is due to mental and general health program costs, and increases in the public health lab costs.
- Education – the \$5,088 increase in education funding was primarily from increased costs for children with special needs.
- Capital Outlay – the \$42,072 increase in Capital Outlay was primarily due to an increase in Courthouse Renovations of \$22,654. The remainder of the increase was mainly due to improvements to various County buildings and construction of a Public Safety Campus.
- Debt Service: Interest and fiscal charges – the increase of \$2,797 was due to the growth of 2003 interest by \$1,154 for short-term and \$1,643 for long-term borrowings.



**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**DECEMBER 31, 2003**

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

Other financing sources and uses are presented below to illustrate changes from the prior year:

**Other Financing Sources (Uses)**  
**Governmental Funds**

	2003 Amount	2002 Amount	Amount of Change
Proceeds of general obligation debt	\$ 98,011	\$ 63,078	\$ 34,933
Premium on bond issuance	10,140	4,963	5,177
Proceeds of refunding bonds	16,375	5,340	11,035
Payments to refunded bond escrow	(16,411)	(5,340)	(11,071)
Sale of property	275	126	149
Intergovernmental transfers in	44,429	78,647	(34,218)
Transfers in	116,207	90,765	25,442
Transfers out	(151,503)	(127,600)	(23,903)
	<u>\$ 117,523</u>	<u>\$ 109,979</u>	<u>\$ 7,544</u>

The current year excess of revenues and other financing sources over expenditures and other financing uses is presented below:

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**

	Major Funds			Nonmajor Funds			Total
	General	Grants	Tobacco Proceeds	Special Revenue	Debt Service	Capital Projects	
Revenues	\$ 722,709	\$ 155,423	\$ 4,202	\$ 55,009	\$ 3,673	\$ 8,320	\$ 949,336
Expenditures	(777,054)	(173,384)		(51,544)	(34,699)	(148,630)	(1,185,311)
Other financing sources (uses), net	10,207	17,374	(64,491)	(3,208)	31,236	126,405	117,523
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(44,138)	(587)	(60,289)	257	210	(13,905)	(118,452)
Fund balances - January 1, 2003	150,281	1,914	175,245	11,314	18,194	20,882	377,830
Fund balances - December 31, 2003	<u>\$ 106,143</u>	<u>\$ 1,327</u>	<u>\$ 114,956</u>	<u>\$ 11,571</u>	<u>\$ 18,404</u>	<u>\$ 6,977</u>	<u>\$ 259,378</u>

**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 Medical Center had negative unrestricted net assets of \$39,114.
- The College had unrestricted net assets of \$3,914 at August 31, 2003, that comprises 32.4% of the total net assets of the College.

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**DECEMBER 31, 2003**

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

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**

	Major Funds		Non major Funds	
	Medical Center	College 8/31/03	Utilities Aggregation	Total
Operating Revenues	\$ 294,217	\$ 44,401	\$ 36,836	\$ 375,454
Operating Expenditures	276,369	82,678	35,925	394,972
Operating income/(loss)	17,848	(38,277)	911	(19,518)
Non-operating revenues (expenses), net	134	24,243		24,377
Net income (loss) before contributions and transfers	17,982	(14,034)	911	4,859
Contributions and transfers	(25,050)	16,209		(8,841)
Change in net assets	\$ (7,068)	\$ 2,175	\$ 911	\$ (3,982)

The net income before contributions and transfers of enterprise funds of \$4,859 resulted from a net income of \$17,982 for the Medical Center, a net loss of \$14,034 for the College and net income of \$911 for the Utilities Aggregation Fund.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The final total budgeted appropriations were \$84,960 higher than the original budget for the General Fund. The majority of the increase (\$44,429) was due to additional Medicaid costs, which were mostly brought about by the State's Intergovernmental Transfer ("IGT") Program. The Program is actually cost neutral to the County's governmental funds, since the additional General Fund expenditures for the County's share of the increased Medicaid revenues paid to publicly sponsored nursing homes and hospitals are recovered fully from the Medical Center enterprise fund, which is the only recipient of IGT program payments in the County. Other significant increases were in Fringe Benefits (\$20,915) primarily due to increased NY State Retirement costs and in Overtime (\$7,211) mainly due to Public Safety programs.

The following provides an explanation of the major variances between the amended budget to budgetary actual expenditures:

- General government support – the \$14,209 positive budgetary variance is mainly attributable to unexpended appropriations in the areas of Economic Development of \$8,859 and Risk Retention of \$3,097.
- Economic Assistance and opportunity – the \$11,263 positive budgetary variance is primarily due to unexpended appropriations of \$9,689 for Social Services programs.

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**DECEMBER 31, 2003**

**GENERAL FUND BUDGETARY HIGHLIGHTS (Concluded)**

The following provides an explanation of the major variances between the amended budget to budgetary actual revenues:

- Real Property taxes and tax items – the \$11,584 negative budgetary variance is primarily due to unrealized revenue for interest and penalty on Real Property taxes. This was a result of the 2003 tax lien securitization.
- Intergovernmental – the \$23,631 negative budgetary variance is mainly due to unrealized reimbursement revenue for Social Services and Health programs as the result of unexpended appropriations for such programs.

**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, 2003, amounted to \$828,769 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and improvements, improvements other than buildings, equipment, and construction in progress. The total increase in the County's investment in capital assets for the current period was 13 %.

Major capital asset events during the current fiscal year included the following:

- Construction in Progress increased by \$70,193. This was due to new additions for infrastructure assets, of which \$33,735 were for the transportation network, \$1,944 of underground sewer components and \$34,514 for non-infrastructure assets.
- Buildings & Improvements increased by \$16,788 mainly due to the new Detention Home, which opened in 2003.
- All depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year as outlined in the County's capital asset policy.

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

**Summary of the County of Erie, New York's Capital Assets  
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 27,304	\$ 27,210	\$ 444	\$ 444	\$ 27,748	\$ 27,654
Buildings and Improvements	191,354	170,715	53,206	57,057	244,560	227,772
Improvements other than Buildings	8,591	6,125	1,425	440	10,016	6,565
Sewer and Transportation Networks	362,768	366,136			362,768	366,136
Machinery and Equipment	27,181	21,594	19,765	19,787	46,946	41,381
Library Collections			1,331	1,352	1,331	1,352
Construction in Progress	120,384	49,968	15,016	15,239	135,400	65,207
Total	<u>\$ 737,582</u>	<u>\$ 641,748</u>	<u>\$ 91,187</u>	<u>\$ 94,319</u>	<u>\$ 828,769</u>	<u>\$ 736,067</u>

**COUNTY OF ERIE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)**  
**DECEMBER 31, 2003**

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

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 its infrastructure assets. Additional information on the County's capital assets can be found in Note I (H) on pages 35-36 and Note VIII on pages 47-49 of this report.

**Long-term Debt**

At December 31, 2003, the County had total bonded debt outstanding of \$386,136, compared to \$303,365 in the prior year. This amount was comprised entirely of serial bonds. During the year, retirement of debt amounted to \$45,147. Additions, accretions and other adjustments amounted to \$127,918. New York State statutes limit the amount of general obligation debt a governmental entity may issue. The limit is 7% of its five-year average full valuation of taxable real property. The current debt-limitation for the County is \$2,261,150, which is significantly in excess of the County's outstanding general obligation debt.

The County's current bond rating, as assigned by rating agencies, is as follows: Moody's: A3; and Fitch: A+.

Additional information on the County's long-term debt can be found in Note XII on pages 54-61 of this report.

**SUBSEQUENT EVENTS**

As described in Note XIX on pages 69-70 of this report, the Governor of the State of New York signed legislation on July 23, 2003, creating the Erie County Medical Center Corporation (the "Corporation"), a public benefit corporation to operate the Medical Center. This legislation authorizes the County to transfer control and management, property and assets to the new corporation. On January 14, 2004, the County Legislature agreed that the County would guarantee the financing required for the Corporation to purchase certain County assets in an amount not to exceed \$106,000. On January 28, 2004, the County's sale of assets to the Corporation was completed in the amount of \$85,000.

As also described in Note XIX on page 70 of this report, the County issued \$18,415 of public improvement serial bonds in January 2004, and \$82,500 in Revenue Anticipation Notes in July 2004.

**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 unit.

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COUNTY OF ERIE, NEW YORK  
Statement of Net Assets  
December 31, 2003  
(amounts expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 166,825	\$ 18,493	185,318	\$ 2,763
Patient trust cash		624	624	
Restricted cash and investments		5,062	5,062	
Receivables (net of allowances)	318,068	83,035	401,103	816
Due from primary government				916
Internal balances	54,503	(50,642)	3,861	
Inventories		4,120	4,120	
Prepaid items	6,542	1,913	8,455	
Other assets		4,120	4,120	
Capital assets				
Land and construction in progress	147,688	15,460	163,148	
Other capital assets, net of depreciation	589,894	75,727	665,621	20,468
Total assets	1,283,520	157,912	1,441,432	24,963
<b>LIABILITIES</b>				
Accounts payable	63,586	21,403	84,989	127
Accrued liabilities	82,548	32,658	115,206	764
Due to component unit	916		916	
Deferred revenue	48,176	8,346	56,522	428
Short-term debt	91,805		91,805	
Long term liabilities				
Due within one year	40,657	13,737	54,394	915
Due in more than one year	382,061	37,499	419,560	1,572
Total liabilities	709,749	113,643	823,392	3,806
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	424,596	74,378	498,974	20,468
Restricted for:				
Grants	1,327		1,327	
Capital projects	85,905	2,413	88,318	
Debt service	13,064	1,480	14,544	
Other purposes	6,578		6,578	
Unrestricted	42,301	(34,002)	8,299	689
Total net assets	\$ 573,771	\$ 44,269	\$ 618,040	\$ 21,157

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK  
Statement of Activities  
For the year ended December 31, 2003  
(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 Unit
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 94,547	\$ 18,623	\$ 61,356	\$ 6,190	\$ (8,378)	\$	\$ (8,378)	\$
Public safety	118,743	8,409	3,336	1,142	(105,856)		(105,856)	
Health	70,179	2,949	40,407		(26,823)		(26,823)	
Transportation	60,438	1,982	6,316		(52,140)		(52,140)	
Economic assistance and opportunity	555,306	28,085	212,673		(314,548)		(314,548)	
Culture and recreation	28,431	1,013	1,940		(25,478)		(25,478)	
Education	52,548	95	29,391		(23,062)		(23,062)	
Home and community service	42,528	10,043	16,912	5,156	(10,417)		(10,417)	
Interest and fiscal charges	15,349		333	1,971	(13,045)		(13,045)	
Total governmental activities	1,038,069	71,199	372,664	14,459	(579,747)		(579,747)	
Business-type activities:								
Medical Center	276,369	294,217		67		17,915	17,915	
Community College (August 31, 2003)	82,717	19,849	24,552			(38,316)	(38,316)	
Nonmajor Fund	35,925	36,836				911	911	
Total business-type activities	395,011	350,902	24,552	67		(19,490)	(19,490)	
Total primary government	\$ 1,433,080	\$ 422,101	\$ 397,216	\$ 14,526	(579,747)	(19,490)	(599,237)	
Component unit:								
Library	\$ 32,660	\$ 1,097	\$ 8,327					(23,236)
General revenues:								
Property taxes levied for mall, sewer, and general purposes					146,543		146,543	
Property taxes levied for library								23,067
Sales, use and transfer taxes					265,977		265,977	
State and local appropriations						24,042	24,042	
Interest earnings not restricted to specific programs					4,202		4,202	17
Unrestricted interest earnings					2,981	307	3,288	
Miscellaneous					7,261		7,261	573
Gain on sale of property					275		275	
Intergovernmental transfers					44,429	(44,429)		
All other transfers					(35,296)	35,588	292	
					436,372	15,508	451,880	23,657
					(143,375)	(3,982)	(147,357)	421
Net assets - beginning					717,146	48,251	765,397	20,736
Net assets - ending					\$ 573,771	\$ 44,269	\$ 618,040	\$ 21,157

See accompanying notes to the financial statements.



COUNTY OF ERIE, NEW YORK  
Balance Sheet  
Governmental Funds  
December 31, 2003  
(amounts expressed in thousands)

	General	Grants	Tobacco Proceeds	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 6,104	\$ 13	\$ 71,362	\$ 89,346	\$ 166,825
Receivables (net of allowances)					
Real property taxes, interest, penalties and liens	19,121			108	19,229
Other	14,240	878	44,003	23,546	82,667
Due from other funds	113,875	-	-	10,752	124,627
Due from other governments	157,320	40,819		5,025	203,164
Prepaid items	6,542				6,542
Loan receivable	1,000				1,000
<b>Total assets</b>	<b>\$ 318,202</b>	<b>\$ 41,710</b>	<b>\$ 115,365</b>	<b>\$ 128,777</b>	<b>\$ 604,054</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 10,406	\$ 3,023	\$ -	\$ 16,261	\$ 29,690
Accrued liabilities	67,195	3,946	-	6,067	77,208
Due to other funds	1,455	18,293	409	39,118	59,275
Due to component unit				916	916
Due to other governments	28,202			2	28,204
Retained percentages payable	82	-		4,451	4,533
Deferred revenue	14,719	15,121		23,205	53,045
Short-term debt	90,000			1,805	91,805
<b>Total liabilities</b>	<b>212,059</b>	<b>40,383</b>	<b>409</b>	<b>91,825</b>	<b>344,676</b>
<b>Fund Balances</b>					
<b>Reserved for:</b>					
Encumbrances	8,002	-	-	82,615	90,617
Debt service				18,404	18,404
Loan receivable	1,000				1,000
Prepaid items	6,542				6,542
Repairs				1,464	1,464
E-911 system costs				1	1
Handicapped parking	35				35
<b>Unreserved, reported in:</b>					
<b>General fund</b>					
Designated	72,703				72,703
Undesignated	17,861				17,861
<b>Special revenue funds</b>					
Designated		1,327		3,953	5,280
Undesignated				3,710	3,710
<b>Capital projects fund</b>					
Undesignated			114,956	(73,195)	41,761
<b>Total fund balances</b>	<b>106,143</b>	<b>1,327</b>	<b>114,956</b>	<b>36,952</b>	<b>259,378</b>
<b>Total liabilities and fund balances</b>	<b>\$ 318,202</b>	<b>\$ 41,710</b>	<b>\$ 115,365</b>	<b>\$ 128,777</b>	<b>\$ 604,054</b>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK  
 Reconciliation of Statement of Net Assets  
 To Governmental Fund Balances  
 For The Year Ended December 31, 2003  
 (amounts expressed in thousands)

	<u>Governmental Activities</u>
Total Governmental Fund Balances	\$ 259,378
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.	737,582
Other long-term assets, real property taxes, are not available to pay for current-period expenditures and therefore are deferred in the funds.	4,869
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	\$ (5,340)
Compensated absences	(23,236)
Retirement	(8,593)
Judgments and claims - net of \$854, current portion recorded as a General Fund accrued liability	(27,581)
Unamortized bond premium	(14,294)
Bonds payable	<u>(349,014)</u>
Net assets of governmental activities	<u>\$ 573,771</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, 2003

(amounts expressed in thousands)

	General	Grants	Tobacco Proceeds	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Real property taxes and tax items	\$ 154,907	\$	\$	\$ 20,126	\$ 175,033
Sales, use and transfer taxes	254,738			11,239	265,977
Intergovernmental	227,452	131,965		20,882	380,299
Interfund revenues	22,798	17,434		465	40,697
Departmental	50,765	5,565		11,666	67,996
Interest	2,981	4	4,202	2,300	9,487
Miscellaneous	9,068	455		324	9,847
<b>Total revenues</b>	<b>722,709</b>	<b>155,423</b>	<b>4,202</b>	<b>67,002</b>	<b>949,336</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government support	73,561	6,463		1,915	81,939
Public safety	100,831	18,108		2,529	121,468
Health	47,074	24,196			71,270
Transportation	18,829	167		18,340	37,336
Economic assistance and opportunity	459,985	121,754			581,739
Culture and recreation	18,229	14			18,243
Education	48,984	1,997			50,981
Home and community service	8,099	685		29,440	38,224
Capital outlay				148,630	148,630
<b>Debt service:</b>					
Principal retirement				21,124	21,124
Interest and fiscal charges	1,462			12,895	14,357
<b>Total expenditures</b>	<b>777,054</b>	<b>173,384</b>	<b>0</b>	<b>234,873</b>	<b>1,185,311</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(54,345)</b>	<b>(17,961)</b>	<b>4,202</b>	<b>(167,871)</b>	<b>(235,975)</b>

COUNTY OF ERIE, NEW YORK  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the year ended December 31, 2003  
(amounts expressed in thousands)

	General	Grants	Tobacco Proceeds	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses) :					
Proceeds of general obligation debt	12,360			85,651	98,011
Premium on bond issuance	105			10,035	10,140
Proceeds of refunding bonds				16,375	16,375
Payments to refunded bond escrow				(16,411)	(16,411)
Sale of property	274			1	275
Intergovernmental transfers in	44,429				44,429
Transfers in		17,374		98,833	116,207
Transfers out	(46,961)		(64,491)	(40,051)	(151,503)
Total other financing sources (uses)	<u>10,207</u>	<u>17,374</u>	<u>(64,491)</u>	<u>154,433</u>	<u>117,523</u>
Net change in fund balances	(44,138)	(587)	(60,289)	(13,438)	(118,452)
Fund balances at beginning of year	150,281	1,914	175,245	50,390	377,830
Fund balances at end of year	<u>\$ 106,143</u>	<u>\$ 1,327</u>	<u>\$ 114,956</u>	<u>\$ 36,952</u>	<u>\$ 259,378</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, 2003  
 (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	\$ (118,452)
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	\$ 127,482
Depreciation	<u>(31,649)</u>
Net adjustment	95,833
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds, but are reported as Deferred Revenue in the statement net assets.	(28,484)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term debt and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.	
Bonds issued	\$ (98,011)
Premium on bond issuance	(10,140)
Proceeds of refunding bonds	(16,375)
Miscellaneous	<u>(23)</u>
Total Proceeds	(124,549)
Payments to refunded bond escrow	16,411
Principal retirement	21,124
Amortization of fiscal charges	<u>656</u>
Total repayments	38,191
Net adjustment	(86,358)
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.	
Interest on bonds	(1,648)
Compensated Absences	(1,563)
Retirement	6,050
Claims & Judgments (Long term change only)	<u>(8,753)</u>
Net adjustment	(5,914)
Change in net assets of governmental activities	<u>\$ (143,375)</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, 2003  
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance Final Budget- Positive (Negative)
<b>Revenues:</b>				
Real property taxes and tax items	\$ 149,661	\$ 166,491	\$ 154,907	\$ (11,584)
Sales, use and transfer taxes	253,104	255,004	254,738	(266)
Intergovernmental	244,329	251,083	227,452	(23,631)
Interfund revenue	27,768	28,714	22,798	(5,916)
Departmental	42,466	47,348	50,765	3,417
Interest	5,333	5,333	2,981	(2,352)
Miscellaneous	4,420	4,826	9,068	4,242
Total revenues	<u>727,081</u>	<u>758,799</u>	<u>722,709</u>	<u>(36,090)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government support	101,670	89,673	75,464	14,209
Public safety	76,219	101,634	101,026	608
Health	49,584	54,943	47,373	7,570
Transportation	18,840	19,029	18,829	200
Economic assistance and opportunity	418,647	475,018	463,755	11,263
Culture and recreation	16,361	18,798	18,441	357
Education	50,058	51,160	48,999	2,161
Home and community service	9,116	10,934	9,707	1,227
<b>Debt service:</b>				
Interest and fiscal charges	1,072	1,462	1,462	
Total expenditures	<u>741,567</u>	<u>822,651</u>	<u>785,056</u>	<u>37,595</u>
(Deficiency) / excess of revenues over expenditures	<u>(14,486)</u>	<u>(63,852)</u>	<u>(62,347)</u>	<u>1,505</u>
<b>Other financing sources (uses):</b>				
Proceeds of general obligation debt		4,775	12,360	7,585
Premium on bond issuance		105	105	
Sale of property	70	70	274	204
Intergovernmental transfers in		44,429	44,429	
Transfers out	(51,417)	(55,293)	(46,961)	8,332
Total other financing sources (uses)	<u>(51,347)</u>	<u>(5,914)</u>	<u>10,207</u>	<u>16,121</u>
(Deficiency) / excess of revenue and other financing sources over expenditures and other financing uses.	<u>\$ (65,833)</u>	<u>\$ (69,766)</u>	<u>\$ (52,140)</u>	<u>\$ 17,626</u>

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK  
Statement of Net Assets  
Proprietary Funds  
December 31, 2003  
(amounts expressed in thousands)

	Business - Type Activities			Total
	Enterprise Funds			
	Medical Center	Community College August 31, 2003	Nonmajor Fund	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and investments	\$ 2	\$ 18,491	\$	\$ 18,493
Patient trust cash	624			624
Receivables (net of allowances)	76,180	1,413		77,593
Due from other funds		2,891	248	3,139
Due from other governments			5,442	5,442
Inventories	4,120			4,120
Prepaid items	1,835		78	1,913
<b>Total Current Assets</b>	<b>82,761</b>	<b>22,795</b>	<b>5,768</b>	<b>111,324</b>
<b>Noncurrent Assets</b>				
Capital assets, net of depreciation				
Land and construction in progress	15,460			15,460
Other capital assets, net of depreciation	67,564	8,163		75,727
Restricted cash and investments	5,062			5,062
Long-term estimated third-party payor settlements	3,158			3,158
Other	962			962
<b>Total Noncurrent Assets</b>	<b>92,206</b>	<b>8,163</b>		<b>100,369</b>
<b>Total assets</b>	<b>174,967</b>	<b>30,958</b>	<b>5,768</b>	<b>211,693</b>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts payable	15,507	2,287	2,985	20,779
Accrued liabilities	27,855	2,884	1,533	32,272
Due to other funds			52	52
Advances from other funds - current	53,729			53,729
Current maturities of long-term debt	4,038			4,038
Fringe benefits payable - current	1,966	1,640		3,606
Estimated claims and contingencies	6,093			6,093
Accounts held in custody for others	624			624
Deferred revenue	10	8,031		8,041
<b>Total Current Liabilities</b>	<b>109,822</b>	<b>14,842</b>	<b>4,570</b>	<b>129,234</b>
<b>Noncurrent Liabilities:</b>				
Accrued liabilities	249	137		386
Long-term debt	17,954			17,954
Fringe benefits payable	9,512	3,902		13,414
Estimated claims and contingencies	6,131			6,131
Deferred revenue	305			305
<b>Total Noncurrent Liabilities</b>	<b>34,151</b>	<b>4,039</b>		<b>38,190</b>
<b>Total liabilities</b>	<b>143,973</b>	<b>18,881</b>	<b>4,570</b>	<b>167,424</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	66,215	8,163		74,378
Restricted for:				
Capital projects	2,413			2,413
Debt service	1,480			1,480
Unrestricted, reported in:				
Medical Center	(39,114)			(39,114)
Community College		3,914		3,914
Nonmajor Fund			1,198	1,198
<b>Total Net Assets</b>	<b>\$ 30,994</b>	<b>\$ 12,077</b>	<b>\$ 1,198</b>	<b>\$ 44,269</b>

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, 2003  
(amounts expressed in thousands)

	Business - Type Activities Enterprise Funds			Total
	Medical	Community	Nonmajor	
	Center	College August 31, 2003	Fund	
<b>Operating Revenues:</b>				
Net patient service revenue	\$ 229,620	\$	\$	\$ 229,620
Student tuition and fees		18,060		18,060
Intergovernmental revenues and charges	50,511	16,061	24,000	90,572
State and local contracts		8,491		8,491
Interfund revenues			12,836	12,836
Other operating revenue	14,086	1,789		15,875
<b>Total operating revenue</b>	<b>294,217</b>	<b>44,401</b>	<b>36,836</b>	<b>375,454</b>
<b>Operating Expenses:</b>				
Employee wages	117,186	48,267	49	165,502
Employee benefits	37,769	13,880	14	51,663
Contractual, professional & temporary services	43,236		271	43,507
Scholarships		8,453		8,453
Supplies	41,300	7,811		49,111
Utilities and telephone	7,702	2,168	35,591	45,461
Depreciation and amortization	10,957	2,099		13,056
Interest	2,126			2,126
Provision for bad debts	10,872			10,872
Other operating expenses	2,933			2,933
Services provided by primary government	2,288			2,288
<b>Total operating expenses</b>	<b>276,369</b>	<b>82,678</b>	<b>35,925</b>	<b>394,972</b>
<b>Operating income (loss)</b>	<b>17,848</b>	<b>(38,277)</b>	<b>911</b>	<b>(19,518)</b>
<b>Nonoperating revenues (expenses):</b>				
State and local appropriations		24,042		24,042
Income from investments	67	240		307
Contributions	67			67
Loss on disposal of plant assets		(39)		(39)
<b>Income (loss) before transfers</b>	<b>17,982</b>	<b>(14,034)</b>	<b>911</b>	<b>4,859</b>
Transfers in	19,379	16,209		35,588
Intergovernmental transfers out	(44,429)			(44,429)
<b>Change in net assets</b>	<b>(7,068)</b>	<b>2,175</b>	<b>911</b>	<b>(3,982)</b>
<b>Total net assets-beginning</b>	<b>38,062</b>	<b>9,902</b>	<b>287</b>	<b>48,251</b>
<b>Total net assets-ending</b>	<b>\$ 30,994</b>	<b>\$ 12,077</b>	<b>\$ 1,198</b>	<b>\$ 44,269</b>

See accompanying notes to the financial statements.



COUNTY OF ERIE, NEW YORK  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2003  
(amounts expressed in thousands)

	Business - Type Activities			
	Enterprise Funds			
	Medical Center	Community College August 31, 2003	Nonmajor Fund	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from patients, students and utility customers	\$ 219,690	\$ 18,272	\$ 16,915	\$ 254,877
Payments to employees for services	(154,799)	(60,504)	(58)	(215,361)
Payments to suppliers for goods and services	(76,341)	(8,844)	(29,596)	(114,781)
Payments for scholarships		(8,453)		(8,453)
Federal, state and local grants		27,116		27,116
Internal activity - payments (to) from other funds			12,954	12,954
Other operating revenues	50,217			50,217
Net cash provided (used) by operating activities	38,767	(32,413)	215	6,569
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
County Contribution	19,379	16,209		35,588
State appropriations		23,374		23,374
Other contributions	67	889		956
Advances from other funds			(215)	(215)
Intergovernmental transfer out	(44,429)			(44,429)
Interest paid for noncapital financing activities	(938)			(938)
Net cash provided (used) by non-capital financing activities	(25,921)	40,472	(215)	14,336
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase/transfer of capital assets	(6,662)	(3,301)		(9,963)
Repayment of long-term debt	(7,070)			(7,070)
Proceeds from debt issuance	2,213			2,213
Interest paid for capital and related financing activities	(1,187)			(1,187)
Net cash used in capital financing activities	(12,706)	(3,301)	0	(16,007)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	67	240		307
Net cash from investing activities	67	240	0	307
NET INCREASE IN CASH AND INVESTMENTS	207	4,998	0	5,205
Cash and investments, beginning of year	5,481	13,493	0	18,974
Cash and investments, end of year	\$ 5,688	\$ 18,491	\$ 0	\$ 24,179

(Continued)

COUNTY OF ERIE, NEW YORK  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2003  
(amounts expressed in thousands)

	Business - Type Activities			Total Funds
	Enterprise Funds			
	Medical Center	Community College August 31, 2003	Nonmajor Fund	
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 17,848	\$ (38,277)	\$ 911	\$ (19,518)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense and amortization	10,957	2,099		13,056
Provision for bad debts	10,872			10,872
Interest paid	2,126			2,126
(Increase) decrease in assets:				
Receivables, net	(24,312)	39	(1,841)	(26,114)
Inventories	(316)		24	(292)
Other assets	(1,958)			(1,958)
Increase (decrease) in liabilities:				
Accounts and other payables	11,262	1,135	296	12,693
Accrued expenses	14,184	1,644	825	16,653
Estimated claims and contingencies	(1,922)			(1,922)
Other long-term liabilities	26	947		973
Net cash provided (used) by operating activities	\$ 38,767	\$ (32,413)	\$ 215	\$ 6,569

See accompanying notes to the financial statements.

COUNTY OF ERIE, NEW YORK  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
For the year ended December 31, 2003  
(amounts expressed in thousands)

	Agency Fund
<b>Assets</b>	
Cash and investments	\$ 47,390
Receivables:	
Due from other funds	1,159
Other receivables	1,096
Total assets	<u>\$ 49,645</u>
<b>Liabilities</b>	
Due to other funds	\$ 12,008
Due to other governments	7,037
Held in custody for others	30,600
Total liabilities	<u>\$ 49,645</u>

See accompanying notes to the financial statements.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the County of Erie have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to government units. The more significant of the County's accounting policies are described below.

**A. Financial Reporting Entity**

The County of Erie was established in 1821. Subject to the New York State Constitution, the County operates pursuant to its Charter and Administrative Code, 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 Erie County Legislature is the legislative body responsible for overall operations, the County Executive serves as chief executive officer, and the County Comptroller serves as chief fiscal, accounting, reporting and auditing officer.

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

**1. COMPONENT UNITS**

The financial statement reporting entity includes the County of Erie (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.

The following organization was determined to have met the basic criteria for inclusion in the County of Erie reporting entity:

The Buffalo and Erie County Public 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 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 Buffalo and Erie County Public 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. It has been

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

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

discretely presented because it is not simply an extension of the primary government (i.e., it has a substantively different governing body, and its services are provided to the general public). The Library does not issue separate financial statements.

2. RELATED ORGANIZATIONS

County elected officials nominate and confirm the three-member board of the Erie County Water Authority, appoint a voting majority of the board of the Buffalo Convention Center Management Corporation, and also appoint the majority of the board of directors of the Erie Tobacco Asset Securitization Corporation (“ETASC”) and the Erie Tax Certificate Corporation (“ETCC”). 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. In regard to ETASC and ETCC, refer to Note XVIII for additional information. These related organizations are not component units of the County and do not meet the basic criteria for inclusion in the County reporting entity.

3. JOINT VENTURE

The County is a participant in the Western Regional Off-Track Betting Corporation (“Corporation”), a public benefit corporation established under New York State Racing, Pari-Mutuel Wagering and Breeding Law. The Corporation 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. For the most part, the effects of interfund activity have been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

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

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.

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.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

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

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

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

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. See Note XVIII for additional discussion pertaining to the 1998 Master Settlement Agreement.

The County reports the following major proprietary funds:

Erie County Medical Center – used to account for consolidated activities of a comprehensive primary health care center and a nursing home serving Erie County and the Western New York region.

Community College – resources received and used for community college purposes are accounted for through the Community College (“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 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.

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.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

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

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 the Governmental Accounting Standards Board. 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 government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is the chargeback of services, such as printing and computer services. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 government's policy to use restricted resources first, then unrestricted resources as they are needed.



**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

**D. Budgets and Budgetary Data**

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 November 10, 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, and E-911 Special Revenue Funds; the Utilities Aggregation Enterprise Fund; and the Debt Service Fund, minimally detailed to the department and account level. A fund level budget is used for the Erie County Medical Center Enterprise Fund. 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, as well as in the year of expenditure if the expenditure occurs in a fiscal year subsequent to the commitment in the General and the enumerated Special Revenue Funds. 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 in Note II.
4. Capital Projects funds are subject to project budgets determined primarily by the bonding authorizations used to fund a particular project rather than annual budgetary appropriations. These budgets do not lapse at year-end; rather, they lapse upon termination of the project.
5. Except in the case of the Erie County Medical Center Enterprise Fund, the County Executive is authorized to make budget transfers up to a cumulative total of \$1,000 between accounts or budgeted subaccounts within an administrative unit. Those budget transfers greater than \$1,000 need legislative approval.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

**D. Budgets and Budgetary Data (Concluded)**

6. At January 1, the amount of encumbrances carried forward from the prior year are re-established as budgeted appropriations and expenditures.

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 subaccounts within an administrative unit. During the year, numerous supplementary appropriations were necessary.

Individual governmental fund comparisons of budgetary and actual data at the legal level of control established by the adopted budget (i.e., minimally the department and account level) are not presented in this report for those funds with annual appropriated budgets due to the excessive detail involved. However, a separate budgetary comparison report is available which contains this information.

**E. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all County funds except Enterprise, Debt Service, and Fiduciary Funds. 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.

**F. 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.

**G. Inventories**

Inventories of the Erie County Medical Center Enterprise Fund are valued at fair value, which does not vary significantly with the lower of cost or fair value, determined by the average cost method.

**H. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges and sewer systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost equal to or greater than \$10,000 and an estimated useful life in excess of two years. 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

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

**H. Capital Assets (Concluded)**

and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized. 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
Equipment	3 – 25 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt, where such amounts are material. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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.

**I. Property Tax Revenue Recognition**

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

Delinquent property taxes not collected at year-end (excluding collections in the 60-day subsequent period) are recorded as deferred revenue in the fund financial statements. The portion of delinquent property taxes for all prior years estimated to be uncollectible at December 31, 2003, amounted to \$9,405,995. This amount has been recorded as an allowance against the property taxes receivable account.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

**J. Compensated Absences**

Most employees are granted vacation, personal, and sick leave and earn compensatory time in varying amounts. When they leave service, employees are entitled to payment for accumulated vacation and unused compensatory time at various rates subject to certain maximum limitations. In addition, depending on the applicable collective bargaining agreement, retirees may be eligible to have group health and dental insurance premiums fully paid 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 fund liability and expenditure in the government-wide financial statements. 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 \$36,243,891 and is reported as governmental activities - \$23,236,176 and business-type activities - \$13,007,715.

The Library component unit compensated absences liability of \$1,349,466 is recorded in full in the government-wide financial statements.

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.

**K. 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*. 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.

Proprietary fund type loss contingency liabilities are recorded in accordance with GASB Statement No. 10 in the Enterprise Fund, except for workers' compensation, which is only recognized as a proprietary fund type liability when invoiced from the County. Loss contingency liabilities arising from operations of the College are recorded in accordance with GASB Statement No. 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.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

**L. 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.

**M. 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.

**N. Restrictions, Reserves and Designations**

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

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The amount reported as restricted for other purposes for Governmental Activities, includes \$6.542 million that is restricted by state statute to current and future payments for pension billings, \$34,559 that is restricted by New York State Law to payments related to enforcement of Handicapped Parking Laws, and \$544 that is restricted by County Law to payments for future E-911 system costs.
- *Unrestricted Net Assets* – This category represents net assets of the County not restricted for any project or other purpose.

In the fund financial statements, reserves represent that portion of fund balance/retained earnings that has been legally segregated for a specific use or is not appropriable for expenditure by the County at December 31, 2003, 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 and for a loan to the Buffalo Zoo for the redevelopment of the Main Animal Building.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

**N. Restrictions, Reserves and Designations (Continued)**

Reserved for Prepaid Items – representing nonrefundable amounts prepaid to the New York State and Local Employees’ Retirement System that are only legally available to make current and/or future payments for pension billings.

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

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

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

In the fund financial statements, designations are not legally required segregations, but are segregated for a specific purpose by the County. Accounting prescription set by the Erie County Comptroller provides for a sunset provision of one fiscal year for all fund balance designations. Legislature approval is required to establish and subsequently appropriate fund balance designations. Designations at December 31, 2003 were as follows:

Designated for Subsequent Years’ Expenditures – representing available fund balances being appropriated to meet future years’ expenditure requirements.

Designated for Economic Development – representing funds set aside to support the County’s ongoing commitment to promoting tourism, cultural and recreational organizations, and business development.

Designated for Local Share of Grant Programs – representing funds set aside which may be needed to fund additional County program costs. Funds are also set aside for grant program County share, which was appropriated but not needed until next year, and also set aside by the Grant Fund from planned Health program surpluses to fund future years’ similar program grants.

Designated for ECMC – representing funds set aside for special assistance to ECMC in future years.

Designated for Buffalo Schools – representing funds set aside to aid City of Buffalo School programs.

Designated for County Fleet – representing funds set aside for improvements to County automotive fleet.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

**N. Restrictions, Reserves and Designations (Concluded)**

Designated for Judgments and Claims – representing funds set aside for judgment and claims expenditures.

Designated for Regional Asset Fund – representing funds set aside for operating expenses, capital expenses, and grants for regional cultural organizations.

**O. Postemployment Benefits**

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

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

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

The County finances the plan on a pay-as-you-go basis. The cost of retiree group health and dental insurance benefits is recognized as an expenditure/expense based on premiums paid during the year. During 2003, \$11,414,603 was paid by the County on behalf of 3,478 eligible retirees.

**P. 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.

**Q. Reclassifications**

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

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

**R. Future Impacts of Accounting Pronouncements**

The County has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, effective for the year ending December 31, 2004; GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, effective for the year ending December 31, 2005; GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, effective for the year ending December 31, 2005; GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the year ending December 31, 2006; and GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, effective for the year ending December 31, 2006. The County is, therefore, unable to disclose the impact that adopting GASB Statement Nos. 39, 40, 42, 43, and 44 will have on its financial position and results of operations when such statements are adopted.

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

**A. Budgetary Information**

The County reports its budgetary status with the actual data including encumbrances as charges against budget appropriations. In addition, budgetary comparison information is not presented for certain Special Revenue Funds because they are not considered part of the County's annual budgetary plan. Accordingly, the budgetary status does not include the activity of either the Community Development or the Grants Special Revenue Funds; the net result of activity for these funds is \$0 and \$588,372 respectively, for 2003. Neither the Community Development nor the Grants Special Revenue Funds had any encumbrances at the beginning or the end of the year. Following is a reconciliation of the budgetary and the GAAP basis operating results:

	(000s omitted)
	<u>General Fund</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses - GAAP basis	\$ (44,138)
Less:	
Encumbrances	<u>8,002</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses - basis of budgeting	<u>\$ (52,140)</u>

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 re-establishment of prior-year encumbrances and the anticipated use of prior-year's fund balance, which had been designated for 2003 expenditures through the budget process.

Commitments related directly to the Grants and the Community Development Special Revenue Funds in the amount of \$3,517,706 and \$1,431,210, respectively, at December 31, 2003, are not reported on the financial statements. Budget appropriations are not made available for these commitments until grant revenues are recognized at the time of expenditure.



**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

**A. Budgetary Information (Concluded)**

Budgetary control of the General Fund; the Road, Sewer, Downtown Mall, and E-911 Special Revenue Funds; the Utilities Aggregation Enterprise Fund; and the Debt Service Fund is minimally exercised at the department and account level. Budgetary control for the Erie County Medical Center Enterprise Fund is exercised through use of a fund level budget.

**B. Excess of Expenses/Expenditures Over Appropriations**

For the year ended December 31, 2003, the Medical Center expenses exceeded the fund level budget by \$1,579,755. There were no excesses of expenditures/expenses over appropriations at the established control level for other funds except for the following:

<u>FUND</u>	<u>DEPARTMENT</u>	<u>OBJECT</u>	<u>(000s OMITTED)</u>
GENERAL FUND			
	Unallocated County-wide Exp/Rev	Other Expenses	\$ 136
	Correctional Facility	Interfund (NonSubsidy) EC Home	4
		Total General Fund	<u>\$ 140</u>
ROAD FUND			
	Highways	Overtime	545
	Highways	Dues & Fees	2
		Total Road Fund	<u>\$ 547</u>
DEBT SERVICE FUND			
	Sewer Debt	Transfer Out	574
		Total Debt Service Fund	<u>\$ 574</u>
SEWER FUND			
	Environment & Planning	Fringe Benefits	363
	Environment & Planning	Interfund Transfers-Subsidy	44
		Total Sewer Fund	<u>\$ 407</u>
UTILITIES AGGREGATION ENTERPRISE FUND			
	Public Works	Overtime	5
	Public Works	Fringe Benefits	2
	Public Works	Utility Charges	1,136
		Total Utilities Fund	<u>\$ 1,143</u>

In the General Fund – Social Services Subfund, the positive variance in the Personal Services account of \$2,866,064 was insufficient to offset the targeted savings in the Reduction from Personal Services account of \$3,448,676, resulting in a net excess of expenditures over appropriations of \$582,612. These over expenditures were funded by available fund balances and/or interfund transfers.

**C. Deficit Fund Balances**

The Road Special Revenue Fund reported a \$1.8 million deficit fund balance. In addition, deficit fund balances of \$12 million and \$0.6 million were reported in the Highways, Roads, Bridges and Equipment Capital Projects Fund and Special Capital Projects Fund, respectively.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**III - CASH AND INVESTMENTS**

Available cash of the County is deposited and invested in accordance with the provisions of applicable State statutes. The County also has its own written investment guidelines which have been established by the Comptroller's Office and approved by the County Legislature.

The County deposits cash into a number of bank accounts. Monies must be deposited in demand or time accounts at, 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. The County's bank accounts are maintained in a separate Treasury Group of accounts with the respective offset being to the various fund equities in pooled cash, investments, and restricted cash. Interest income from the pooled accounts is allocated based on the funds' respective share of the pool.

Permissible investments include obligations of the U.S. Treasury and U.S. 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.

Collateral is required for deposits (except college checking accounts) 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.

The detail of cash and investments, patient trust cash, and restricted cash and investments is as follows:

	(000s omitted)			
	Primary Government	Agency Fund	Library Component Unit	Reporting Entity Total
Petty Cash	\$ 131	\$ -	\$ 9	\$ 140
Cash in Banks	118,140	47,390	2,754	168,284
Investments	72,733	-	-	72,733
	<u>\$ 191,004</u>	<u>\$ 47,390</u>	<u>\$ 2,763</u>	<u>\$ 241,157</u>

Deposits – The carrying amounts for deposits of the Reporting Entity were \$168,282,763. Related bank balance amounts classified by credit risk category are as follows:

<u>Credit Risk Category</u>	(000s omitted) Reporting Entity <u>Bank Balance</u>
Insured (FDIC)	\$ 1,513
Uninsured:	
Collateral held by Reporting Entity's agent in Reporting Entity's name	189,099
Undercollateralized	2,035
Total Deposits	<u>\$ 192,647</u>

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**III - CASH AND INVESTMENTS (Concluded)**

Agency Fund bank accounts are maintained at financial institutions where monies of the Primary Government are also on deposit. The banks calculate and report FDIC coverage and collateral requirements on a Reporting Entity basis. In addition, the Library does not maintain a separate bank account; instead, it participates in the pooled cash of the County.

As a result, the related credit risk categories can not be separately identified for the Agency Fund or the Library Component Unit.

Investments - All investments are carried at fair value and are categorized in the following manner:

Category 1 - Insured or registered, or securities held by the County, or its agent, in the County's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department, or agent, in the County's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the County's name.

Investments for the Primary Government and Agency Fund at year-end are shown below:

	(000s omitted)			
	Category			
	1	2	3	Fair Value
Municipal Bonds	\$ 71,238	\$ -	\$ -	\$ 71,238
U.S. Treasury Bills	-	290	-	290
U.S. Treasury Strips	-	1,205	-	1,205
Total Investments	<u>\$ 71,238</u>	<u>\$ 1,495</u>	<u>\$ 0</u>	<u>\$ 72,733</u>

**IV - RESTRICTED CASH AND INVESTMENTS**

Restricted cash and investments include:

	(000s omitted)
	Enterprise Funds
Construction	\$ 3,582
Debt Service	1,480
	<u>\$ 5,062</u>

Amounts restricted for construction represent nonoperating cash that has been raised through borrowings. The use of these proceeds is limited to the specific purpose of the issue.

Amounts restricted for debt service represent unexpended proceeds of borrowings on completed capital projects and/or interest earned from the investment of debt proceeds which will be used to reduce future debt service per New York State Local Finance Law.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**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 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, 2003 is computed as follows:

	(000s omitted)
Five-Year Average Full Valuation of Taxable Real Estate (1998-2002)	\$ 32,027,229
Tax Limit @ 1.5%	\$ 480,408
Statutory Additions	33,061
Total Taxing Power	513,469
Total Levy	(159,348)
Tax Margin	\$ 354,121

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**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, 2003 include sales, use and transfer taxes of approximately \$27.4 million; state and federal assistance for social services in excess of \$118.6 million; and other state and federal aid (including grants) approximating \$57.2 million.

**VII - RECEIVABLES**

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

(000s omitted)

Receivables - Governmental Funds	General Fund	Grants Fund	Tobacco Proceeds Fund	Other Governmental Funds	Total
Real Property taxes, interest, penalties and liens	\$ 28,527	\$ -	\$ -	\$ 108	\$ 28,635
Sales Tax	27,353	-	-	-	27,353
Federal & State Assistance for DSS	118,572	-	-	-	118,572
Other Federal & State Aid	11,395	40,819	-	5,025	57,239
Loan	1,000	-	-	-	1,000
Other	<u>14,240</u>	<u>878</u>	<u>44,003</u>	<u>23,546</u>	<u>82,667</u>
Gross receivables	201,087	41,697	44,003	28,679	315,466
Less: allowances for uncollectibles	<u>9,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,406</u>
Total receivables	<u>\$ 191,681</u>	<u>\$ 41,697</u>	<u>\$ 44,003</u>	<u>\$ 28,679</u>	<u>\$ 306,060</u>

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

Receivables - Proprietary Funds	Medical Center	Community College	Nonmajor Fund	Total
Accounts	\$ 97,432	\$ 2,931	\$ -	\$ 100,363
Third-party payor settlements	7,631	-	-	7,631
Intergovernmental transfer program	15,548	-	-	15,548
Other	<u>4,027</u>	<u>551</u>	<u>5,442</u>	<u>10,020</u>
Gross receivables	124,638	3,482	5,442	133,562
Less: allowances for uncollectibles	<u>45,300</u>	<u>2,069</u>	<u>-</u>	<u>47,369</u>
Total receivables	<u>\$ 79,338</u>	<u>\$ 1,413</u>	<u>\$ 5,442</u>	<u>\$ 86,193</u>

The only Proprietary Fund receivables not expected to be collected within one year are \$3,158 in third-party payor settlements.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**VIII - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2003 was as follows:

**A. Primary Government**

**1. Governmental Activities**

(000s omitted)

	Balance 1/1/03	Increases	Decreases	Balance 12/31/03
Capital assets, not being depreciated:				
Land	\$ 27,210	\$ 94	\$ -	\$ 27,304
Construction in progress	49,968	93,992	(23,576)	120,384
Total capital assets, not being depreciated	<u>77,178</u>	<u>94,086</u>	<u>(23,576)</u>	<u>147,688</u>
Capital assets, being depreciated:				
Buildings and improvements	333,558	30,610	(1,745)	362,423
Transportation Network	327,968	6,137	-	334,105
Sewer Network	205,261	7,889	-	213,150
Improvements other than buildings	10,481	2,990	-	13,471
Machinery and Equipment	55,515	10,023	(4,072)	61,466
Total capital assets, being depreciated	<u>932,783</u>	<u>57,649</u>	<u>(5,817)</u>	<u>984,615</u>
Less accumulated depreciation for:				
Buildings	(162,843)	(9,483)	1,257	(171,069)
Transportation Network	(115,274)	(14,251)	-	(129,525)
Sewer Network	(51,819)	(3,143)	-	(54,962)
Improvements other than buildings	(4,356)	(524)	-	(4,880)
Machinery and Equipment	(33,921)	(4,248)	3,884	(34,285)
Total accumulated depreciation	<u>(368,213)</u>	<u>(31,649)</u>	<u>5,141</u>	<u>(394,721)</u>
Total capital assets, being depreciated, net	<u>564,570</u>	<u>26,000</u>	<u>(676)</u>	<u>589,894</u>
Governmental activities capital assets, net	<u>\$ 641,748</u>	<u>\$ 120,086</u>	<u>\$ (24,252)</u>	<u>\$ 737,582</u>

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

(000s omitted)

Governmental activities:	
General government	\$ 3,343
Public safety	2,556
Health	169
Transportation	15,812
Economic assistance and opportunity	151
Culture and recreation	3,677
Education	1,661
Home and community service	4,280
Total governmental activities depreciation expense	<u>\$ 31,649</u>

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**VIII - CAPITAL ASSETS (Continued)**

**A. Primary Government (Concluded)**

2. Business-Type Activities

a) Medical Center

	(000s omitted)			
	Balance 1/1/03	Increases	Decreases	Balance 12/31/03
Capital assets, not being depreciated:				
Land	\$ 444	\$ -	\$ -	\$ 444
Construction in progress	15,239	6,085	(6,308)	15,016
Total capital assets, not being depreciated	<u>15,683</u>	<u>6,085</u>	<u>(6,308)</u>	<u>15,460</u>
Capital assets, being depreciated:				
Land improvements	2,877	-	-	2,877
Buildings	210,201	614	(1)	210,814
Fixed equipment	3,806	-	-	3,806
Major movable equipment	79,009	6,239	(536)	84,712
Capital leases	8,956	-	-	8,956
Health information computer system	2,298	29	-	2,327
Total capital assets, being depreciated	<u>307,147</u>	<u>6,882</u>	<u>(537)</u>	<u>313,492</u>
Less accumulated depreciation for:				
Land improvements	(2,437)	(50)	-	(2,487)
Buildings	(153,144)	(5,120)	-	(158,264)
Fixed equipment	(3,427)	(75)	-	(3,502)
Major movable equipment	(67,546)	(4,800)	529	(71,817)
Capital leases	(7,480)	(439)	-	(7,919)
Health information computer system	(1,477)	(462)	-	(1,939)
Total accumulated depreciation	<u>(235,511)</u>	<u>(10,946)</u>	<u>529</u>	<u>(245,928)</u>
Total capital assets, being depreciated, net	<u>71,636</u>	<u>(4,064)</u>	<u>(8)</u>	<u>67,564</u>
Medical Center capital assets, net	<u>\$ 87,319</u>	<u>\$ 2,021</u>	<u>\$ (6,316)</u>	<u>\$ 83,024</u>

b) Community College

	(000s omitted)			
	Balance 9/1/02	Increases	Decreases	Balance 8/31/03
Capital assets, being depreciated:				
Building Improvements	\$ 266	\$ -	\$ -	\$ 266
Equipment	20,918	3,051	(1,213)	22,756
Library collections	2,711	250	(254)	2,707
Total capital assets, being depreciated	<u>23,895</u>	<u>3,301</u>	<u>(1,467)</u>	<u>25,729</u>
Less accumulated depreciation for:				
Equipment	(15,536)	(1,841)	1,187	(16,190)
Library collections	(1,359)	(258)	241	(1,376)
Total accumulated depreciation	<u>(16,895)</u>	<u>(2,099)</u>	<u>1,428</u>	<u>(17,566)</u>
Community College capital assets, being depreciated, net	<u>\$ 7,000</u>	<u>\$ 1,202</u>	<u>\$ (39)</u>	<u>\$ 8,163</u>

Total Business-Type Activities:

Land and construction in progress	\$ 15,683	\$ 6,085	\$ (6,308)	\$ 15,460
Other capital assets, net of depreciation	<u>78,636</u>	<u>(2,862)</u>	<u>(47)</u>	<u>75,727</u>
Total Business-Type activities capital assets, net	<u>\$ 94,319</u>	<u>\$ 3,223</u>	<u>\$ (6,355)</u>	<u>\$ 91,187</u>

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**VIII - CAPITAL ASSETS (Concluded)**

**B. Library Component Unit**

	(000s omitted)			
	Balance 1/1/03	Increases	Decreases	Balance 12/31/03
Capital assets, not being depreciated:				
Rare book collection	\$ 8,635	\$ -	\$ -	\$ 8,635
Capital assets, being depreciated:				
Machinery, Equipment and Library materials	59,777	5,209	(1,467)	63,519
Less accumulated depreciation for:				
Machinery, Equipment and Library materials	(48,793)	(4,112)	1,219	(51,686)
Total capital assets, being depreciated, net	<u>10,984</u>	<u>1,097</u>	<u>(248)</u>	<u>11,833</u>
Library Component Unit capital assets, net	<u>\$ 19,619</u>	<u>\$ 1,097</u>	<u>\$ (248)</u>	<u>\$ 20,468</u>

**IX – PAYABLES**

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

	(000s omitted)			
	General Fund	Grants Fund	Other Governmental Funds	Total
Payables - <u>Governmental Funds</u>				
Accounts payable	\$ 10,406	\$ 3,023	\$ 16,261	\$ 29,690
Other governments	28,202	-	2	28,204
Health and social service programs and agencies	53,391	15	2,558	55,964
Retained percentages	82	-	4,451	4,533
Salaries & fringes	9,163	2,730	1,308	13,201
Other	4,641	1,201	2,201	8,043
Total payables	<u>\$ 105,885</u>	<u>\$ 6,969</u>	<u>\$ 26,781</u>	<u>\$ 139,635</u>

	Medical Center	Community College	Nonmajor Fund	Total
Payables - <u>Proprietary Funds</u>				
Accounts payable	\$ 15,507	\$ 2,287	\$ 2,985	\$ 20,779
Health and social service programs and agencies	6,343	-	-	6,343
Salaries & fringes	18,864	8,563	2	27,429
Intergovernmental transfer program	13,994	-	-	13,994
Other	381	-	1,531	1,912
Total payables	<u>\$ 55,089</u>	<u>\$ 10,850</u>	<u>\$ 4,518</u>	<u>\$ 70,457</u>



**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**X – RETIREMENT PLANS**

Background

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

**A. New York State and Local Employees’ Retirement System**

This is a cost-sharing multiple-employer retirement system. The ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (“NYSRSSL”). As set forth in the NYSRSSL, the Comptroller of the State of New York (“Comptroller”) serves as sole trustee and administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of their funds. The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

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

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

<u>Year</u>	<u>Contribution Amount</u>	
	<u>County - ERS</u>	<u>Component Unit - ERS</u>
2003	\$ 38,204,959	\$ 1,755,314
2002	11,307,121	384,555
2001	8,285,609	282,794

The employer contributions made to the ERS were equal to 100% of the contributions required for each year.

Since 1989, the billings of the ERS have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the ERS' fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay part or all of this liability; the County opted to

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**X - RETIREMENT PLANS (Continued)**

**A. New York State and Local Employees' Retirement System (Continued)**

make a partial prepayment. Due to a subsequent change in relevant state statutes, however, the portion of the prepayment made by the County that was in excess of the required minimum amortization payment due on December 15, 1989, was recognized by ERS as a credit to be applied against future contribution requirements, rather than as a reduction of the 1988 and 1989 retirement year liability. These credits have been recorded as assets by the County in the General Fund to be used for the purpose of meeting its contribution requirements for both the current year and for those retirement liabilities being amortized over 17 or 5 years.

The total unpaid amount for the 17-year portion of the retirement liability at the end of the fiscal year was \$6,541,513 of which \$4,378,382 and \$1,861,765 are reported as Governmental Activities and Business-Type Activities of the primary government, respectively, and \$301,366 is reported by the Library component unit.

In addition, since 1991, the State Legislature authorized local governments to make available retirement incentive programs during a number of years. The estimated total cost to the County for the 1999 program, which is the only program not fully paid as of December 31, 2003, is \$891,853. Program costs are billed and paid over five years, beginning on December 15 of the year after which the incentive is offered to employees, and will include interest at 8.75%. Amounts unpaid at December 31, 2003, for retirement incentive programs totaled \$191,504, of which \$130,848 is payable by governmental funds, and \$60,656 by the proprietary funds.

On December 30, 2003, the County sold \$17,075,000 general obligation pension serial bonds. The proceeds were used to liquidate the County's outstanding obligation to the New York State and Local Employees' Retirement System for the 2000 and 2002 early retirement incentive programs. The authority to issue bonds having a maximum maturity of five years for this purpose is provided by Chapter 49 of the New York Laws of 2003.

At August 31, 2003, the College statements reflected a retirement liability associated with incentive programs subsequently paid on December 15, 2003, that totaled \$685,720.

**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. Approximate contributions made by the College and its employees in the 2003 fiscal year were \$1,846,329 and \$456,727, respectively. The total unpaid balance of this retirement liability at the end of the College's fiscal year was \$204,344.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**X - RETIREMENT PLANS (Continued)**

C. New York State Teachers' Retirement Systems

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

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

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

<u>Year</u>	<u>County TRS</u>
2003	\$ 212,443
2002	224,975
2001	439,535

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

Retirement incentive programs were offered to College employees who are members of the TRS in accordance with the following laws enacted by the State Legislature: Chapter 178 of the Laws of 1991; Chapters 494 and 643 of the Laws of 1992; Chapter 12 of the Laws of 1995; Chapter 30 of the Laws of 1996; Chapter 41 of the Laws of 1997, Chapter 47 of the Laws of 1998, and Chapter 70 of the Laws of 1999. The estimated total cost to the College for those programs that have not been paid in full, as of August 31, 2003, is an estimated \$1,261,327 of which \$252,347 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 this retirement liability at the end of the College's fiscal year was \$922,525.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**X - RETIREMENT PLANS (Concluded)**

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

(000s omitted)

<u>Retirement Plan/ Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Governmental Total</u>	<u>Library Component Unit</u>	<u>Reporting Entity Total</u>
<u>ERS</u>					
Regular	\$ 8,462	\$ 2,140	\$ 10,602	\$ 301	\$ 10,903
Early Retirement	131	746	877	-	877
Total	<u>8,593</u>	<u>2,886</u>	<u>11,479</u>	<u>301</u>	<u>11,780</u>
<u>TRS</u>					
Regular	-	84	84	-	84
Early Retirement	-	839	839	-	839
Total	<u>0</u>	<u>923</u>	<u>923</u>	<u>0</u>	<u>923</u>
<u>TIAA-CREF</u>					
Regular	-	204	204	-	204
Total	<u>\$ 8,593</u>	<u>\$ 4,013</u>	<u>\$ 12,606</u>	<u>\$ 301</u>	<u>\$ 12,907</u>

**XI – CONSTRUCTION COMMITMENTS**

The County has a number of active construction projects at December 31, 2003. The amounts spent to date and remaining commitments (encumbrances) presented by major project groupings are as follows:

(000s omitted)

<u>Projects</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
General Government Buildings, Equipment and Improvements	\$ 202,401	\$ 55,896
Highways, Roads, Bridges and Equipment	105,793	12,879
Sewers, Facilities Equipment and Improvements	148,986	9,023
Special Capital Projects	<u>34,650</u>	<u>2,374</u>
Total	<u>\$ 491,830</u>	<u>\$ 80,172</u>

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**XII - LONG-TERM DEBT**

**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, 2003:

(000s omitted)								
Description	Issue	Maturity	Interest Rate	Balance 1/1/03	Additions	Payments	Balance 12/31/03	Due Within One Year
Serial Bonds	1983	2008	9.60-10.00	\$ 1,800	\$ -	\$ 1,050	\$ 750	\$ 150
"	1991	2006	6.10-6.40	2,700	-	800	1,900	800
"	1992	2006	2.50-8.00	3,865	-	1,080	2,785	1,060
"	1992	2012	4.25-7.65	12,935	-	1,925	11,010	1,925
"	1993	2003	2.30-10.00	1,550	-	1,550	-	-
"	1993	2013	3.30-5.25	2,835	-	1,040	1,795	865
"	1993	2013	Zero Coupon	5,400	-	0	5,400	-
"	1994	2004	4.18-6.57	3,000	-	1,500	1,500	1,500
"	1994	2009	4.90-6.50	6,295	-	1,185	5,110	1,185
"	1995	2015	4.40-5.60	7,070	-	950	6,120	950
"	1995	2025	4.10-5.63	21,885	-	500	21,385	525
"	1996	2015	4.20-5.20	8,355	-	8,355	-	-
"	1996	2011	4.30-6.00	9,850	-	1,300	8,550	1,300
"	1996	2016	3.73-5.90	5,320	-	5,320	-	-
"	1996	2015	0.00	912	-	62	850	63
"	1997	2017	3.75-5.35	540	-	30	510	35
"	1997	2012	4.50-5.50	12,560	-	1,420	11,140	1,420
"	1997	2009	4.50-5.25	3,630	-	805	2,825	635
"	1997	2007	4.50-4.80	505	-	160	345	95
"	1998	2017	3.70-5.15	515	-	30	485	30
"	1998	2013	4.25-5.00	15,610	-	4,395	11,215	1,355
"	1999	2018	3.48-5.42	200	-	10	190	10
"	1999	2018	0.00	98	-	6	92	6
"	1999	2019	4.375-5.75	22,650	-	1,675	20,975	1,600
"	1999	2019	5.125-6.00	2,320	-	90	2,230	95
"	2000	2018	3.80-5.92	2,930	-	2,745	185	10
"	2000	2029	5.25-6.00	32,975	-	2,775	30,200	2,780
"	2000	2020	5.25-5.70	635	-	35	600	35
"	2001	2031	2.619-5.314	2,017	-	47	1,970	50
"	2001	2031	0.00	4,748	-	132	4,616	135
"	2001	2020	2.30-5.00	35,205	-	2,505	32,700	2,490
"	2001	2021	2.30-5.00	920	-	50	870	50
"	2002	2031	1.362-5.082	1,386	-	40	1,346	40
"	2002	2024	2.521-6.181	5,025	-	175	4,850	175
"	2002	2031	1.333-5.323	1,007	-	25	982	25
"	2002	2017	3.00-5.00	59,390	-	0	59,390	3,135
"	2002	2022	3.00-5.00	1,200	-	0	1,200	45
"	2003	2032	1.031-4.901	-	1,353	50	1,303	35
"	2003	2029	2.549-6.259	-	16,375	655	15,720	525
"	2003	2032	0.00-0.00	-	495	16	478	16
"	2003	2020	4.00-5.25	-	79,135	-	79,135	-
"	2003	2023	2.00-4.75	-	2,405	-	2,405	-
"	2003	2032	0.790-4.612	-	1,233	-	1,234	35
"	2003	2008	3.00-4.00	-	16,433	-	16,433	-
				<u>299,838</u>	<u>117,429</u>	<u>44,488</u>	<u>372,779</u>	<u>\$ 25,185</u>
Remaining unamortized:								
discount on zero coupon bonds				(1,261) *	221	-	(1,040) *	
premium on bond issuance				4,788	10,268	659	14,397	
Bonds payable for financial statement purposes				<u>\$ 303,365</u>	<u>\$ 127,918</u>	<u>\$ 45,147</u>	<u>\$ 386,136</u>	

\* Amount of unamortized discount on zero coupon bonds at issue date was \$3.348 million. Of this amount, \$2.087 million and \$0.221 million have been amortized in the prior and current years, respectively.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

**A. Bonded Indebtedness (Concluded)**

The following is a summary of bonded indebtedness:

	(000s omitted)			
	Balance 1/1/03	Additions	Payments	Balance 12/31/03
Governmental Activities	\$ 273,109	\$ 114,386	\$ 37,534	\$ 349,961
Business-Type Activities	<u>26,729</u>	<u>2,213</u>	<u>6,954</u>	<u>21,988</u>
	299,838	116,599	44,488	371,949
Remaining unamortized:				
discount on zero coupon bonds	(1,261) *	221	-	(1,040) *
premium on bond issuance	<u>4,788</u>	<u>10,261</u>	<u>659</u>	<u>14,390</u>
Bonds payable for financial statement purposes	<u>\$ 303,365</u>	<u>\$ 127,081</u>	<u>\$ 45,147</u>	<u>\$ 385,299</u>

\*Of these totals, the Business-Type Activities and the Governmental Activities portions are \$0.112 million and \$1.149 million at January 1, 2003, and \$ .093 million and \$0.947 million at December 31, 2003, respectively.

	(000s omitted)			
	Balance 1/1/03	Additions	Payments	Balance 12/31/03
Component Unit	\$ -	\$ 830	\$ -	\$ 830
Remaining unamortized premium on bond issuance	<u>-</u>	<u>7</u>	<u>-</u>	<u>7</u>
Bonds payable for financial statement purposes	<u>\$ 0</u>	<u>\$ 837</u>	<u>\$ 0</u>	<u>\$ 837</u>

**B. Other Long-Term Obligations**

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

1. Capitalized Lease Obligations

Through its governmental funds, the County leases portions of a building from the City of Buffalo for court facilities. Under the court facilities lease, the County is separately invoiced annually for its share of operating and maintenance costs. In addition, the Erie County Medical Center (an enterprise fund of the County) leases certain major movable equipment. These lease agreements have been determined to be capital leases for accounting purposes. Accordingly, the leases have been recorded as assets at an amount equal to the present value of the minimum lease payments at the inception of the lease. Assets acquired under capital leases are reported as capital assets in the Government-wide financial statements. The remaining related liability for the Business-Type Activities, which represented the present value of net minimum lease payments payable in future years, was paid in full during 2003.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**XII – LONG-TERM DEBT (Continued)**

**B. Other Long-Term Obligations (Continued)**

(000s omitted)

	<u>Business- Type Activities</u>	<u>Governmental Activities</u>
Buildings and Improvements	\$ -	\$ 1,639
Major Movable Equipment	<u>8,957</u>	<u>-</u>
	8,957	1,639
Less: Accumulated Amortization	<u>7,919</u>	<u>1,639</u>
Carrying Value	<u>\$ 1,038</u>	<u>\$ 0</u>

2. Due to Retirement Systems

To the extent that the portion of the County's retirement liability will not be liquidated with expendable available financial resources, it is reported as a liability in the government-wide financial statements. The retirement liabilities for the Library component unit have also been reported as other long-term obligations because they will not be liquidated with expendable available financial resources. The following is a summary of the retirement liability reported in the government-wide financial statements:

(000s omitted)

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Component Unit</u>
Retirement Liability Outstanding at year-end	\$ 8,593	\$ 4,013	\$ 301
Less: Due within one year	<u>2,612</u>	<u>2,371</u>	<u>144</u>
	<u>\$ 5,981</u>	<u>\$ 1,642</u>	<u>\$ 157</u>

3. Compensated Absences

The value recorded in the government-wide financial statements at December 31, 2003, for governmental activities is \$23,236,176. 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 totaling \$13,007,715 have been reported for business-type activities, of which \$3,410,535 and \$9,597,180 were classified as accrued liabilities and other long-term obligations, respectively, on the fund financial statements.

Compensated absences of the Library component unit totaling \$1,349,466 have been reported as an accrued liability since its annual budget provides funding for these benefits as they become payable.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

**B. Other Long-Term Obligations (Concluded)**

4. 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 \$23,671,577 and have been reported as long-term liabilities in the government-wide financial statements. Proprietary Fund type loss contingency liabilities (excluding workers' compensation which is only recognized when invoiced from the County) are recorded in the Enterprise Funds; the long-term portion amounts to \$6,131,034.

**C. Summary of Changes in Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended December 31, 2003:

1. Governmental Activities

	(000s omitted)				
	Balance 1/1/03	Additions	Reductions	Balance 12/31/03	Due Within One Year
Bonds Payable for financial statement purposes	\$ 276,748	\$ 124,751 <sup>(1)</sup>	\$ 38,191	\$ 363,308	\$ 21,149
Other Long-Term Obligations:					
Due to New York State and Local Employees' Retirement System	\$ 14,643	\$ 10,129	\$ 16,179	\$ 8,593	\$ 2,612
Compensated Absences	21,673	13,818	12,255	23,236	12,987
Judgments and Claims	24,058	20,249	15,872	28,435 <sup>(2)</sup>	4,763 <sup>(2)</sup>
	<u>\$ 60,374</u>	<u>\$ 44,196</u>	<u>\$ 44,306</u>	<u>\$ 60,264</u>	<u>\$ 20,362</u>

<sup>(1)</sup> Includes \$0.202 million representing portion of zero coupon bonds discount amortized in current year; remaining unamortized discount is \$0.947 million.

<sup>(2)</sup> The current portion of the governmental fund December 31, 2003 liability of \$0.854 million is recorded entirely in the General Fund as accrued liabilities on the balance sheet.



**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

**C. Summary of Changes in Long-Term Debt (Concluded)**

2. Business-Type Activities

(000s omitted)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable for financial statement purposes	\$ 26,617	\$ 2,330 *	\$ 6,956	\$ 21,991	\$ 4,037
Other Long-Term Obligations:					
Capitalized Leases	\$ 135	\$ -	\$ 135	\$ -	\$ -
Due to Retirement Systems	4,985	1,725	2,697	4,013	2,371
Compensated Absences	12,831	3,366	3,189	13,008	1,236
Judgments and Claims	13,986	-	1,762	12,224	6,093
	\$ 31,937	\$ 5,091	\$ 7,783	\$ 29,245	\$ 9,700

\* Includes \$.020 million representing portion of zero coupon bonds discount amortized in current year; remaining unamortized discount is \$.093 million.

3. Library Component Unit

(000s omitted)

	Balance 1/1/03	Additions	Reductions	Balance 12/31/03	Due Within One Year
Bonds Payable for Financial Statement Purposes	\$ 0	\$ 837	\$ 0	\$ 837	\$ 0
Other Long-Term Obligations:					
Due to New York State and Local Employees' Retirement System	\$ 434	\$ 830	\$ 963	\$ 301	\$ 144
Compensated Absences	1,422	731	804	1,349	771
	\$ 1,856	\$ 1,561	\$ 1,767	\$ 1,650	\$ 915

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

**D. Maturity Schedules**

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

Year	Total	Serial Bonds	(000s omitted)		
			Retirement	Compensated Absences	Judgments & Claims
2004	\$ 55,249	\$ 25,186	\$ 4,984	\$ 14,223	\$ 10,856
2005	34,869	30,947	3,922	-	-
2006	29,979	29,393	586	-	-
2007	28,020	27,398	622	-	-
2008	24,958	24,297	661	-	-
2009-2013	102,235	100,404	1,831	-	-
2014-2018	82,601	82,601	-	-	-
2019-2023	36,946	36,946	-	-	-
2024-2028	12,107	12,107	-	-	-
2029-2033	2,670	2,670	-	-	-
Various*	51,824	-	-	22,021	29,803
	461,458	371,949	\$ 12,606	\$ 36,244	\$ 40,659
	(1,040)	(1,040)	Remaining unamortized discount on zero coupon bonds		
	14,390	14,390	Remaining unamortized premium of bond issuance		
	\$ 474,808	\$ 385,299	Long-Term Debt for financial statement purposes		

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

2. Remaining Annual Maturities of Long-Term Debt (by Activity) - Primary Government

Year	Total	(000s omitted)	
		Governmental Activities	Business-Type Activities
2004	\$ 55,249	\$ 41,511	\$ 13,738
2005	34,869	29,243	5,626
2006	29,979	26,755	3,224
2007	28,020	25,042	2,978
2008	24,958	23,209	1,749
2009-2013	102,235	97,338	4,897
2014-2018	82,601	81,600	1,001
2019-2023	36,946	36,830	116
2024-2028	12,107	12,107	-
2029-2033	2,670	2,670	-
Compensated Absences *	22,021	10,249	11,772
Judgments & Claims *	29,803	23,672	6,131
	461,458	410,226	51,232
Remaining unamortized:			
discount on zero coupon bonds	(1,040)	(948)	(92)
premium on bond issuance	14,390	14,294	96
Long-term debt for financial statement purposes	\$ 474,808	\$ 423,572	\$ 51,236

\* Payment of the long-term portion of compensated absences of \$22,020,660 and the long-term portion of judgments and claims totaling \$29,802,881 are dependent upon many factors; therefore, timing of future payments is not readily determinable.

The current portion of judgments and claims of \$854,000 is reported in the government-wide financial statements as an accrued liability.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

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

**D. Maturity Schedules (Concluded)**

3. Annual Interest Payments Due on Serial Bonds - Primary Government

(000s omitted)

Year	Primary Gov't Amount	Component Unit Amount
2004	\$ 18,563	\$ 27
2005	16,409	28
2006	15,053	22
2007	13,817	16
2008	12,613	8
2009-2013	47,745	-
2014-2018	24,528	-
2019-2023	7,559	-
2024-2028	1,842	-
2029-2033	155	-
	<u>\$ 158,284</u>	<u>\$ 101</u>

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

(000s omitted)

Year	Total	Serial Bonds	Retirement	Compensated Absences
2004	\$ 915	\$ -	\$ 144	\$ 771
2005	364	207	157	-
2006	208	208	-	-
2007	208	208	-	-
2008	207	207	-	-
Various*	578	-	-	578
	2,480	830	\$ 301	\$ 1,349
	7	7	Remaining unamortized premium of bond issuance	
	<u>\$ 2,487</u>	<u>\$ 837</u>	Long-Term Debt for for financial statement purposes	

\* Payment of compensated absences of \$1,349 is dependent on many factors; therefore, timing of future payments is not readily determinable.

**E. 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 two-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 (Continued)**  
**DECEMBER 31, 2003**

**XII - LONG-TERM DEBT (Concluded)**

**F. Constitutional Debt Limit**

The County constitutional debt limit at December 31, 2003 is computed as follows:

	(000s omitted)
Five-Year Average Full Valuation of Taxable Real Estate (1999-2003)	\$ <u>32,302,138</u>
Debt Limit @ 7%	\$ 2,261,150
Net Indebtedness (After Statutory Exclusions)	<u>(326,390) *</u>
Net Debt Contracting Margin	\$ <u>1,934,760</u>
Percentage of Debt Contracting Power Exhausted	14.43%

\* Gross indebtedness of \$464.58 million less exclusions of \$138.19 million.

**G. Operating Leases**

Operating lease obligations are primarily for rental of space. Lease expenditures/expenses for the year were approximately \$6,865,285. The future minimum rental payments required for noncancellable operating leases are:

	(000s omitted)
<u>Fiscal</u> <u>Year</u>	<u>Primary</u> <u>Government</u>
2004	\$ 4,480
2005	3,340
2006	2,748
2007	1,028
2008	<u>626</u>
	<u>\$ 12,222</u>

**H. Advance Refunding**

In March 2003, the County issued \$16,375,000 of general obligation serial bonds that were purchased by the New York State Environmental Facilities Corporation ("EFC"). The proceeds, along with remaining cash proceeds of the refunded bonds, were used to advance refund \$16,411,000 of outstanding 1996 and 2000 bonds that had been sold to EFC. The refunded bonds carry interest rates of 4.20% - 5.92%, depending on maturity date, and are scheduled to mature in the years 2003 through 2018. The interest rates on the refunding bonds are 2.54% - 6.26%, and they mature from June 2003 to June 2029.

The effect of the advance refunding transaction is an increase in total debt service payments of \$4,251,351 and an economic gain of \$373,960. The economic gain is the difference between the present values of the old and new debt service payments.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**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 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, 2003:

	(000s omitted)			
<u>Description</u>	<u>Balance</u> <u>1/1/03</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>12/31/03</u>
Bond Anticipation Notes	\$ 3,031	\$ 1,832	\$ 3,058	\$ 1,805
Revenue Anticipation Notes	<u>43,000</u>	<u>90,000</u>	<u>43,000</u>	<u>90,000</u>
Total	<u>\$ 46,031</u>	<u>\$ 91,832</u>	<u>\$ 46,058</u>	<u>\$ 91,805</u>

The Bond Anticipation Notes recorded in the Capital Projects Fund, which have a 0% interest rate, will be used to finance various capital projects. The Revenue Anticipation Notes, which have an interest rate of 1.5%, were issued and recorded in the General Fund in anticipation of the receipt of monies that will become due during the current fiscal year from sales taxes and the state and federal governments. The proceeds of the notes will be used to pay ordinary and current operating expenses properly payable from the monies in anticipation of which the notes have been issued.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**XIV - INTERFUND TRANSACTIONS**

**A. Interfund Receivables and Payables**

Interfund receivables and payables of the County at December 31, 2003, and the Community College at August 31, 2003, consisted of the following:

		(000s omitted)
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants Fund	\$ 18,289
	Tobacco Proceeds Fund	409
	Nonmajor Governmental Funds	28,421
	Medical Center	53,729
	Community College	970
	Nonmajor Enterprise Fund	52
	Agency Fund	<u>12,005</u>
		<u>113,875</u>
Nonmajor Governmental Funds	General Fund	299
	Grants Fund	4
	Nonmajor Governmental Funds	10,446
	Agency Fund	<u>3</u>
		<u>10,752</u>
Nonmajor Enterprise Fund	Nonmajor Governmental Funds	<u>248</u>
Agency Fund	General Fund	1,156
	Nonmajor Governmental Funds	<u>3</u>
		<u>1,159</u>
Community College	General Fund	<u>2,891</u>
Total Receivables		128,925
Less: Timing Differences		<u>3,861</u>
Total Payables		<u>\$ 125,064</u>

Interfund receivables exceed interfund payables by \$3,861,000. This difference represents payments of \$970,000 made by the County on behalf of the College that are not reflected as a Due To Other Funds in the College balance sheet because of the difference between the County and the College fiscal year end. In addition, a Due From Other Funds in the amount of \$2,891,000 was recorded by the College but not the County because of the difference between the fiscal years.

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. The \$53,729,489 due from the Medical Center to the General Fund was liquidated on January 28, 2004, as further explained in Note XIX.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**XIV - INTERFUND TRANSACTIONS (Concluded)**

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

Amounts due to the Component Unit – Library from the Primary Government at December 31, 2003, consisted of the following:

(000s omitted)		
<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component Unit - Library	Primary Government - General Fund	\$ <u>916</u>

**C. Interfund Transfers**

Interfund transfers for the County for the year ended December 31, 2003, and the Community College for the year ended August 31, 2003, 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	Grants Fund	\$ 16,664	for the local share of Grant programs.
	Nonmajor Governmental Funds	104	to support capital projects.
	Nonmajor Governmental Funds	6,478	for general debt service.
	Nonmajor Governmental Funds	630	for road maintenance projects.
	Medical Center	9,435	to support Hospital operations.
	Community College	<u>13,650</u>	to support College operations.
		<u>46,961</u>	
Tobacco Proceeds Fund	Nonmajor Governmental Funds	<u>64,491</u>	to support various capital projects.
Nonmajor Governmental Funds	Grants Fund	710	for buildings and grounds.
	Nonmajor Governmental Funds	171	to support sewer operations.
	Nonmajor Governmental Funds	3,433	for sewer debt service.
	Nonmajor Governmental Funds	2,328	to support capital projects.
	Nonmajor Governmental Funds	15,552	for general debt service.
	Nonmajor Governmental Funds	5,646	for debt service, from R/E Transfers.
	Medical Center	6,915	for ECMC debt service.
	Medical Center	3,029	for medical laboratory and equipment.
	Community College	<u>2,267</u>	for moveable equipment.
		40,051	
Medical Center	General Fund	<u>44,429</u>	for the Intergovernmental Transfer program.
Total Transfers Out		195,932	
Plus: Timing Differences		<u>292</u>	
Total Transfers In		<u>\$ 196,224</u>	

Transfers In exceed Transfers Out by \$292,000. This difference represents payments recorded by the College that are not reflected as a Transfer Out by the County because of the difference between the County and the College fiscal year end.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**XV - CONTINGENCIES**

**A. Self-Insurance Programs**

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

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.

Proprietary type fund claims and judgments applicable to self-insured claims are recorded as expenses and liabilities in the Enterprise Funds (except workers' compensation, which is only recognized when invoiced from the General Fund, and malpractice, which has been assumed by the General Fund). Proprietary type fund workers' compensation liability that was not recorded in the Enterprise Funds at December 31, 2003 totaled \$8,270,438; this amount was recorded as a Governmental Activities long-term liability. At December 31, 2003, the claims and judgments recorded as proprietary type fund liabilities amounted to \$410,714 and is recorded as an other long-term obligation on the balance sheet. This liability is the County's best estimate based on available information. Changes in the reported liability in the proprietary funds since December 31, 2001, resulted from the following:

<u>Year</u>	<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>
2002	\$ 4,776,000	\$ 133,049	\$ 4,347,678	\$ 561,371
2003	561,371	77,500	228,157	410,714

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, 2003, because they did not meet the criteria for recognition as fund liabilities, amounted to \$27,581,110 (including an estimated workers' compensation liability of \$11,012,738 relating to proprietary type funds that are only recognized when invoiced by the County).

In addition, the County has claims in the range of \$2,950,000 to \$27,086,740 for which there is a reasonable possibility of a future loss: no accrual has been recorded for such possible losses as of December 31, 2003.



**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**XV - CONTINGENCIES (Continued)**

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

The changes since December 31, 2001 in the reported governmental fund liability for risk financing activities were as follows:

	Beginning of Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2002	\$ 2,306,700	\$ 5,055,545	\$ 2,132,742	\$ 5,229,503
2003	5,229,503	-	4,376,091	853,412

The governmental fund December 31, 2003 liability is recorded entirely in the General Fund as accrued liabilities on the balance sheet.

**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, 2003, 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 \$120.5 million for the year ended December 31, 2003. The enabling legislation allowing this additional tax expires February 28, 2005. Legislative approval by both New York State and the County is required for the continuation of this revenue source.

**D. 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 38% of 2004 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.

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**XV - CONTINGENCIES (Concluded)**

**D. Federal and State Aid (Concluded)**

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 state law.

**E. Other Contingent Liabilities**

As discussed above, the County receives significant financial assistance from numerous federal and state governmental agencies and third-party payors. The disbursement of monies received under these programs generally requires compliance with terms and conditions specified in the related agreements and is 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, 2003, the County has recorded \$6,092,799 and \$5,902,320 as accrued liabilities and other long-term obligations, respectively, in the Erie County Medical Center Enterprise Fund for probable third-party payor settlements. The amount of any other expenditures that may be disallowed cannot be determined at this time, although the County expects such amounts to be immaterial.

**XVI - FUND BALANCE DESIGNATIONS**

Designations are not required segregations, but are segregated for a specific purpose by the County at December 31, 2003 and were as follows:

(000s omitted)

	<u>General</u>	<u>Grants</u>	<u>Other Governmental Funds</u>	<u>Total Primary Government</u>	<u>Library Component Unit</u>	<u>Total Reporting Entity</u>
Designated for:						
Subsequent year's expenditures	\$ 35,000	\$ 1,327	\$ 3,953	\$ 40,280	\$ 1,560	\$ 41,840
Economic Development	13,288			13,288		13,288
Local share of						
Grant programs	8,088			8,088		8,088
ECMC	10,354			10,354		10,354
Buffalo Schools	206			206		206
County Fleet	67			67		67
Judgments and Claims	3,000			3,000		3,000
Regional Asset Fund	2,700			2,700		2,700
Total Fund Balance Designations	<u>\$ 72,703</u>	<u>\$ 1,327</u>	<u>\$ 3,953</u>	<u>\$ 77,983</u>	<u>\$ 1,560</u>	<u>\$ 79,543</u>

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**XVII - JOINT VENTURE**

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

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

Corporation total undistributed net revenue decreased by \$3,729,682 for the year ended December 31, 2003. As a result, the Corporation reported a net loss allocated to participating municipalities of \$904,521. In addition, cumulative net revenue retained for capital acquisitions was \$26,458,878 at December 31, 2003. 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 – RELATED ORGANIZATIONS**

**Erie Tobacco Asset Securitization Corporation**

The County entered into a Purchase and Sale Agreement with the Erie Tobacco Asset Securitization Corporation ("ETASC") dated as of September 1, 2000, pursuant to which ETASC acquired all of the County's right, title and interest to tobacco settlement revenues to which the County would otherwise be entitled from October 5, 2000, in perpetuity under the Master Settlement Agreement (the "MSA") with various tobacco companies and the related New York Consent Decree and Final Judgment (the "Decree"). The consideration provided to the County for such acquisition consisted of the \$211,722,302 in net proceeds from the sale of the Series 2000 bonds by ETASC which are to be used to finance capital expenditures, and a 100% beneficial ownership interest in the ETASC Residual Trust. Beneficial ownership of the Residual Trust entitles the County each year to any excess tobacco settlement revenues received by ETASC that are not required to pay debt service or fund required reserves with respect to the bonds ETASC issued, or to pay the various expenses of ETASC; as well as to the net proceeds of any bonds (other than refunding bonds) issued subsequent to the Series 2000 bonds. ETASC's right to receive Tobacco Settlement Revenues is its most significant asset and is expected to produce funding for all its obligations. 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. The ETASC Series 2000 bonds are not a County obligation and the County is not responsible for repayment of these bonds. The County had originally determined that ETASC did not meet the criteria of a component unit as defined in the

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**XVIII – RELATED ORGANIZATIONS (Concluded)**

**Erie Tobacco Asset Securitization Corporation (Concluded)**

Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*. Accordingly, since 2000, its financial statements have been prepared on a “stand alone” basis and have not been included in the County’s financial statements. However, based on additional guidance provided by GASB Technical Bulletin No. 2004-1, ETASC will begin to be reported as a blended component unit of the County in its financial statements for the year ending December 31, 2004.

A copy of the audited financial statements can be obtained from the Erie Tobacco Asset Securitization Corporation, c/o Joseph Passafiume, Treasurer, 95 Franklin Street, Room 1600, Buffalo, New York 14202.

**Erie Tax Certificate Corporation**

The County has entered into two Purchase and Sale Agreements with the Erie Tax Certificate Corporation (“ETCC”), under which ETCC acquired all of the County’s right, title and interest to certain outstanding tax liens. The first Agreement dated November 6, 2003 related to tax liens for 2002 and prior years outstanding as of July 1, 2003, and the second Agreement dated December 30, 2003 covered 2003 tax liens outstanding as of December 10, 2003.

The consideration provided to the County for the first acquisition consisted of \$9,056,577 in net proceeds from the sale by ETCC of its 2003 Tax Lien Collateralized Note, and for the second acquisition, \$10,009,042 in net proceeds from the sale by ETCC of its Tax Lien Collateralized Note, Series 2003-2, (collectively the “Notes”), and a 100% beneficial ownership interest in the Erie County Tax Lien Trust for each Series created by ETCC. Beneficial ownership of the Trusts entitles the County to ETCC’s right to the residual cash flow on the tax liens after payment of costs of collection and repayment of the Notes. ETCC’s right to receive collections relating to the tax liens is its most significant asset and is expected to provide funding for all its obligations. 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. The ETCC Notes are not County obligations and the County is not responsible for repayment of them. ETCC does not meet the criteria of a component unit as defined in GASB Statement No. 14, *The Financial Reporting Entity*. Accordingly, its financial statements are prepared on a “stand alone” basis and not included in the County’s financial statements.

**XIX – SUBSEQUENT EVENTS**

**A. Sale of Assets to the Erie County Medical Center Corporation**

On July 22, 2003, the Governor of the State of New York signed legislation creating the Erie County Medical Center Corporation (the “Corporation”), a public benefit corporation, to operate the Medical Center and Erie County Home. The Corporation is governed by a 15-member Board of Directors, a majority who are appointed by the Erie County Executive with the advice and consent of the Erie County Legislature. The legislation authorized:

**COUNTY OF ERIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2003**

**XIX – SUBSEQUENT EVENTS (Concluded)**

**A. Sale of Assets to the Erie County Medical Center Corporation (Concluded)**

- the County to transfer control and management of the Medical Center to the newly created Corporation
- the County to sell other related property and assets to the newly created Corporation
- the Corporation to operate the Medical Center and Erie County Home as a public employer, maintaining the rights of all employees under existing collective bargaining agreements and the Civil Service Law of the State of New York
- the Corporation to set fees, purchase its own equipment and supplies, and enter into agreements with other health care providers

On January 14, 2004, the County Legislature agreed that the County would guarantee the financing required for the Corporation to purchase certain County assets, as contemplated by law. The guarantee agreement pledges the County's faith and credit toward payment of the Corporation's bonds, and any notes issued in anticipation of the issuance of bonds, in an aggregate principal amount not to exceed \$106 million outstanding at any time, including interest and other financing costs. Financing costs include capitalized interest funds, capitalized costs of issuance and debt service reserve funds.

The County's sale of assets to the Corporation took place on January 28, 2004, effective January 1, 2004, in the amount of \$85 million.

**B. Bond Sale**

The County issued \$18,415,000 of public improvement serial bonds dated January 15, 2004. These general obligation bonds, which have an interest rate of 2.5% - 5%, will mature January 2006 through January 2015. The proceeds will be used to finance various capital projects.

**C. Revenue Anticipation Note Sale**

The County issued \$82,500,000 of revenue anticipation notes dated July 14, 2004. These general obligation notes, which have an interest rate of 3%, were issued in anticipation of the receipt of monies that will become due during the current fiscal year from sales taxes and the state and federal governments. The proceeds of the notes will be used to pay ordinary and current operating expenses properly payable from the monies in anticipation of which the notes have been issued. The notes mature on July 13, 2005, with the amounts actually collected for the specific types of revenue that the notes were issued in anticipation of, to be used to repay them.

## **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.
- Fund financial statements for the discretely presented Library component unit.

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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 and Community Development 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.

- **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 (Continued)

### **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.

### **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.

- **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.

COUNTY OF ERIE, NEW YORK  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2003  
 (amounts expressed in thousands)

/-----Special Revenue-----/

	Road	Sewer	Downtown Mall	E-911	Community Development	Total	Debt Service
<b>Assets</b>							
Cash and investments	\$ 3	\$ 17,688	\$ 16		\$	\$ 17,707	\$ 16,160
Receivables (net of allowances)							
Real property taxes, interest, penalties and liens			108			108	
Other				187	22,512	22,699	
Due from other funds	6,173	1,131				7,304	1,625
Due from other governments	1,466				1,182	2,648	853
<b>Total assets</b>	<u>7,642</u>	<u>18,819</u>	<u>124</u>	<u>187</u>	<u>23,694</u>	<u>50,466</u>	<u>18,638</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	452	160		99	670	1,381	31
Accrued liabilities	757	4,915	116		46	5,834	203
Due to other funds	7,752	314	8	69	303	8,446	
Due to component unit							
Due to other governments					2	2	
Retained percentages payable		27				27	
Deferred revenue	532				22,673	23,205	
Short-term debt							
<b>Total liabilities</b>	<u>9,493</u>	<u>5,416</u>	<u>124</u>	<u>168</u>	<u>23,694</u>	<u>38,895</u>	<u>234</u>
<b>Fund balances:</b>							
<b>Reserved for:</b>							
Encumbrances	355	2,070		18		2,443	
Debt service							18,404
Repairs	1,464					1,464	
E-911 system costs				1		1	
<b>Unreserved, reported in:</b>							
<b>Special revenue funds</b>							
Designated		3,953				3,953	
Undesignated	(3,670)	7,380				3,710	
Capital projects fund							
<b>Total fund balances</b>	<u>(1,851)</u>	<u>13,403</u>	<u></u>	<u>19</u>	<u></u>	<u>11,571</u>	<u>18,404</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,642</u>	<u>\$ 18,819</u>	<u>\$ 124</u>	<u>\$ 187</u>	<u>\$ 23,694</u>	<u>\$ 50,466</u>	<u>\$ 18,638</u>

COUNTY OF ERIE, NEW YORK  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2003  
 (amounts expressed in thousands)

	-----Capital Projects-----					
	General Government Buildings, Equipment and Improvements	Highways, Roads, Bridges and Equipment	Sewers, Facilities Equipment and Improvements	Special Capital Projects	Total	Total Nonmajor Governmental Funds
<b>Assets</b>						
Cash and investments	\$ 37,249	\$ 8,128	\$ 7,397	\$ 2,705	\$ 55,479	\$ 89,346
Receivables (net of allowances)						
Real property taxes, interest, penalties and liens						108
Other	1	593		253	847	23,546
Due from other funds	24	1,776	23		1,823	10,752
Due from other governments	1,524				1,524	5,025
<b>Total assets</b>	<u>38,798</u>	<u>10,497</u>	<u>7,420</u>	<u>2,958</u>	<u>59,673</u>	<u>128,777</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	10,296	2,821	1,010	722	14,849	16,261
Accrued liabilities	30				30	6,067
Due to other funds	7,918	18,467	2,465	1,822	30,672	39,118
Due to component unit				916	916	916
Due to other governments						2
Retained percentages payable	2,687	1,240	439	58	4,424	4,451
Deferred revenue						23,205
Short-term debt			1,805		1,805	1,805
<b>Total liabilities</b>	<u>20,931</u>	<u>22,528</u>	<u>5,719</u>	<u>3,518</u>	<u>52,696</u>	<u>91,825</u>
<b>Fund balances:</b>						
<b>Reserved for:</b>						
Encumbrances	55,896	12,879	9,023	2,374	80,172	82,615
Debt service						18,404
Repairs						1,464
E-911 system costs						1
<b>Unreserved, reported in:</b>						
<b>Special revenue funds</b>						
Designated						3,953
Undesignated						3,710
Capital projects fund	(38,029)	(24,910)	(7,322)	(2,934)	(73,195)	(73,195)
<b>Total fund balances</b>	<u>17,867</u>	<u>(12,031)</u>	<u>1,701</u>	<u>(560)</u>	<u>6,977</u>	<u>36,952</u>
<b>Total liabilities and fund balances</b>	<u>\$ 38,798</u>	<u>\$ 10,497</u>	<u>\$ 7,420</u>	<u>\$ 2,958</u>	<u>\$ 59,673</u>	<u>\$ 128,777</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, 2003  
 (amounts expressed in thousands)

/-----Special Revenue -----/

	Road	Sewer	Downtown Mail	E-911	Community Development	Total	Debt Service
<b>Revenues:</b>							
Real property taxes and tax items	\$	\$ 18,913	\$ 1,213	\$	\$	20,126	\$
Sales, use and transfer taxes	9,250			1,989		11,239	
Intergovernmental	6,143				5,654	11,797	1,752
Interfund revenues							
Departmental	2,015	8,413			874	11,302	
Interest		329				329	1,921
Miscellaneous	11	112		93		216	
	<u>17,419</u>	<u>27,767</u>	<u>1,213</u>	<u>2,082</u>	<u>6,528</u>	<u>55,009</u>	<u>3,673</u>
<b>Expenditures:</b>							
Current:							
General government support			1,235			1,235	680
Public safety				2,529		2,529	
Transportation	18,340					18,340	
Home and community service		22,911			6,529	29,440	
Capital outlay							
Debt service:							
Principal retirement							21,124
Interest and fiscal charges							12,895
	<u>18,340</u>	<u>22,911</u>	<u>1,235</u>	<u>2,529</u>	<u>6,529</u>	<u>51,544</u>	<u>34,699</u>
	<u>(921)</u>	<u>4,856</u>	<u>(22)</u>	<u>(447)</u>	<u>(1)</u>	<u>3,465</u>	<u>(31,026)</u>
<b>Other financing sources (uses) :</b>							
Proceeds of general obligation debt	1,466	236				1,702	
Premium on bond issuance	12	2				14	701
Proceeds of refunding bonds							16,375
Payments to refunded bond escrow							(16,375)
Sale of property					1	1	
Transfers in	630	171				801	31,109
Transfers out	(1,470)	(3,921)		(335)		(5,726)	(574)
	<u>638</u>	<u>(3,512)</u>	<u>0</u>	<u>(335)</u>	<u>1</u>	<u>(3,208)</u>	<u>31,236</u>
Net change in fund balances	(283)	1,344	(22)	(782)	0	257	210
Fund balances at beginning of year	(1,568)	12,059	22	801		11,314	18,194
Fund balances at end of year	\$ (1,851)	\$ 13,403	\$ 0	\$ 19	\$ 0	11,571	\$ 18,404

COUNTY OF ERIE, NEW YORK  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the year ended December 31, 2003  
 (amounts expressed in thousands)

	-----Capital Funds-----					
	Buildings, Equipment and Improvements	Roads, Bridges and Equipment	Facilities Equipment and Improvements	Special Capital Projects	Total	Nonmajor Governmental Funds
Revenues:						
Real property taxes and tax items	\$	\$	\$	\$	\$	\$ 20,126
Sales, use and transfer taxes						11,239
Intergovernmental	1,739	5,592	2		7,333	20,882
Interfund revenues	465				465	465
Departmental		124		240	364	11,666
Interest	6	2	42		50	2,300
Miscellaneous	108				108	324
	<u>2,318</u>	<u>5,718</u>	<u>44</u>	<u>240</u>	<u>8,320</u>	<u>67,002</u>
Expenditures:						
Current:						
General government support						1,915
Public safety						2,529
Transportation						18,340
Home and community service						29,440
Capital outlay	86,440	50,061	4,939	7,190	148,630	148,630
Debt service:						
Principal retirement						21,124
Interest and fiscal charges						12,895
	<u>86,440</u>	<u>50,061</u>	<u>4,939</u>	<u>7,190</u>	<u>148,630</u>	<u>234,873</u>
	<u>(84,122)</u>	<u>(44,343)</u>	<u>(4,895)</u>	<u>(6,950)</u>	<u>(140,310)</u>	<u>(167,871)</u>
Other financing sources (uses) :						
Proceeds of general obligation debt	58,086	18,567	5,486	1,810	83,949	85,651
Premium on bond issuance	6,900	2,205		215	9,320	10,035
Proceeds of refunding bonds						16,375
Payments to refunded bond escrow			(36)		(36)	(16,411)
Sale of property						1
Transfers in	25,335	24,457	488	16,643	66,923	98,833
Transfers out	(17,739)	(3,620)	(26)	(12,366)	(33,751)	(40,051)
	<u>72,582</u>	<u>41,609</u>	<u>5,912</u>	<u>6,302</u>	<u>126,405</u>	<u>154,433</u>
Net change in fund balances	(11,540)	(2,734)	1,017	(648)	(13,905)	(13,438)
Fund balances at beginning of year	29,407	(9,297)	684	88	20,882	50,390
Fund balances at end of year	<u>\$ 17,867</u>	<u>\$ (12,031)</u>	<u>\$ 1,701</u>	<u>\$ (560)</u>	<u>\$ 6,977</u>	<u>\$ 36,952</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, 2003  
 (amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>				
Sales, use and transfer taxes	\$ 6,019	\$ 8,000	\$ 9,250	\$ 1,250
Intergovernmental	4,800	4,902	6,143	1,241
Interfund revenue	6,400	6,401		(6,401)
Departmental	1,524	2,061	2,015	(46)
Miscellaneous	3	3	11	8
Total revenues	<u>18,746</u>	<u>21,367</u>	<u>17,419</u>	<u>(3,948)</u>
<b>Expenditures:</b>				
Transportation	<u>19,307</u>	<u>22,852</u>	<u>18,695</u>	<u>4,157</u>
Excess (deficiency) of revenues over expenditures	<u>(561)</u>	<u>(1,485)</u>	<u>(1,276)</u>	<u>209</u>
<b>Other financing sources (uses):</b>				
Proceeds of general obligation det			1,466	1,466
Premium on bond issuance			12	12
Sale of property		630	630	
Transfers out		(1,470)	(1,470)	
Total other financing sources (uses)	<u>0</u>	<u>(840)</u>	<u>638</u>	<u>1,478</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (561)</u>	<u>\$ (2,325)</u>	<u>\$ (638)</u>	<u>\$ 1,687</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, 2003  
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Real property taxes and tax items	\$ 18,057	\$ 18,897	\$ 18,913	\$ 16
Departmental	7,689	8,315	8,413	98
Interest	1,042	750	329	(421)
Miscellaneous			112	112
Total revenues	<u>26,788</u>	<u>27,962</u>	<u>27,767</u>	<u>(195)</u>
Expenditures:				
Home and community services	<u>33,657</u>	<u>35,531</u>	<u>24,981</u>	<u>10,550</u>
Excess (deficiency) of revenues over expenditures	<u>(6,869)</u>	<u>(7,569)</u>	<u>2,786</u>	<u>10,355</u>
Other financing sources (uses):				
Premium on Obligations			236	236
Premium on bond issuance			2	2
Transfers in			171	171
Transfers out	<u>(5,543)</u>	<u>(4,904)</u>	<u>(3,921)</u>	<u>983</u>
Total other financing sources (uses)	<u>(5,543)</u>	<u>(4,904)</u>	<u>(3,512)</u>	<u>1,392</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (12,412)</u>	<u>\$ (12,473)</u>	<u>\$ (726)</u>	<u>\$ 11,747</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, 2003  
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Real property taxes and tax items	\$	\$ 1,235	\$ 1,213	(22)
Total revenues		1,235	1,213	-
Expenditures:				
General government support	\$	1,235	1,235	
Excess (deficiency) of revenues over expenditures	\$ 0	\$ 0	\$ (22)	\$ (22)



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, 2003  
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Sales, use and transfer taxes	\$ 2,054	\$ 2,430	\$ 1,989	\$ (441)
Miscellaneous			93	93
Total Revenue	<u>\$ 2,054</u>	<u>\$ 2,430</u>	<u>\$ 2,082</u>	<u>\$ (348)</u>
Expenditures:				
Public safety	<u>2,270</u>	<u>2,766</u>	<u>2,547</u>	<u>219</u>
Other financing sources (uses):				
Transfers out		<u>(335)</u>	<u>(335)</u>	
Excess (deficiency) of revenues over expenditures	<u>\$ (216)</u>	<u>\$ (671)</u>	<u>\$ (800)</u>	<u>\$ (129)</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, 2003  
(amounts expressed in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 1,615	\$ 1,589	\$ 1,752	\$ 163
Interest	3,794	3,680	1,921	(1,759)
Total revenues	<u>5,409</u>	<u>5,269</u>	<u>3,673</u>	<u>(1,596)</u>
<b>Expenditures:</b>				
Current:				
General Government Support	200	689	680	9
Debt Service:				
Principal Retirement	21,124	21,863	21,124	739
Interest and fiscal charges	11,660	13,889	12,895	989
Total expenditures	<u>32,984</u>	<u>36,441</u>	<u>34,699</u>	<u>1,737</u>
Excess (deficiency) of revenues over expenditures	<u>(27,575)</u>	<u>(31,172)</u>	<u>(31,026)</u>	<u>141</u>
<b>Other financing sources (uses):</b>				
Premium on bond insurance	200	689	701	12
Proceeds of refunding bonds		16,375	16,375	-
Payments to refund bond escrow		(16,375)	(16,375)	-
Transfers In	24,238	25,670	31,109	5,439
Transfers out			(574)	(574)
Total other financing sources (uses)	<u>24,438</u>	<u>26,359</u>	<u>31,236</u>	<u>4,877</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (3,137)</u>	<u>\$ (4,813)</u>	<u>\$ 210</u>	<u>\$ 5,018</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 general purpose financial statements reflects the County's financial accountability for this legally separate entity.

COUNTY OF ERIE, NEW YORK  
 Balance Sheet  
 Component Unit  
 December 31, 2003  
 (amounts expressed in thousands)

	<u>Component Unit</u>
Assets	
Cash and investments	\$ 2,763
Receivables (net of allowances)	
Other	816
Due from primary government	916
Total assets	<u>\$ 4,495</u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 127
Retained percentages payable	764
Deferred revenue	428
Total liabilities	<u>1,319</u>
Fund Balances	
Reserved for:	
Encumbrances	443
Unreserved, reported in:	
Designated	1,560
Undesignated	1,173
Total fund balances	<u>3,176</u>
Total liabilities and fund balances	<u>\$ 4,495</u>

COUNTY OF ERIE, NEW YORK  
 Reconciliation of Statement of Net Assets  
 To Component Unit Fund Balance  
 For The Year Ended December 31, 2003  
 (amounts expressed in thousands)

	<u>Component Unit</u>
Total Component Unit Fund Balance	\$ 3,176
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	20,468
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,487)
Net assets of component unit activities	<u>\$ 21,157</u>

COUNTY OF ERIE, NEW YORK  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Component Unit  
For the year ended December 31, 2003  
(amounts expressed in thousands)

	<u>Component Unit</u>
Revenues:	
Real property taxes and tax items	\$ 23,067
Intergovernmental	3,322
Departmental	1,097
Interest	17
Miscellaneous	573
	<u>28,076</u>
Total revenues	
Expenditures:	
Current:	
Culture and recreation	28,710
	<u>28,710</u>
Total expenditures	
	<u>(634)</u>
Excess (deficiency) of revenues over expenditures	
Other financing sources (uses) :	
Proceeds from General Obligation Debt	830
Premium on Obligation	7
	<u>837</u>
Total other financing sources (uses)	
	203
Net change in fund balances	
Fund balance at beginning of year	2,973
Fund balance at end of year	<u>\$ 3,176</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, 2003  
 (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	\$ 203
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	200
Donations	5,005
Less current year depreciation	<u>(4,355)</u>
	850
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.	205
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.	(837)
Change in net assets of component unit activities	<u>\$ 421</u>

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## **STATISTICAL SECTION**

This section contains tables that reflect social and economic data, and financial trends of Erie County, New York.

NOTE: The County of Erie has not levied any special assessments or issued any revenue bonds during the past ten years. Therefore, tables normally required to present data reflecting these activities have not been included.

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COUNTY OF ERIE, NEW YORK  
 Government-wide Expenses by Function  
 Last Two Fiscal Years(1)  
 (amounts expressed in thousands)

FUNCTION	2002	2003
General government support	\$ 80,900	\$ 94,547
Public safety	109,422	118,743
Health	61,874	70,179
Transportation	50,801	60,438
Economic assistance and opportunity	563,179	555,306
Culture and recreation	29,170	28,431
Education	48,917	52,548
Home and community services	44,137	42,528
Debt service	12,199	15,349
Business-type activities:		
Medical Center	260,635	276,369
Community College	76,350	82,717
Other	28,606	35,925
Total	\$ 1,366,190	\$ 1,433,080

Note:

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

Source: Erie County Basic Financial Statements

COUNTY OF ERIE, NEW YORK  
 Government-wide Revenues  
 Last Two Fiscal Years (1)  
 (amounts expressed in thousands)

Source	2002	2003
Program Revenues		
Charges for Services	\$ 428,840	\$ 422,101
Operating Grants and Contributions	384,139	397,216
Capital Grants and Contributions	13,908	14,526
General Revenues		
Taxes	414,670	412,520
State and local appropriations	22,186	24,042
Interest earnings not restricted to specific programs	16,442	4,202
Unrestricted interest earnings	3,732	3,288
Miscellaneous	10,361	7,261
Gain on sale of property	126	275
Total	<u>\$ 1,294,404</u>	<u>\$ 1,285,431</u>

Note:

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

Source: Erie County Basic Financial Statements

COUNTY OF ERIE, NEW YORK  
 General Governmental Expenditures by Function  
 Last Ten Fiscal Years  
 (amounts expressed in thousands)

FUNCTION	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
General government support	\$ 73,766	\$ 66,571	\$ 71,966	\$ 80,137	\$ 83,518	\$ 68,936	\$ 75,671	\$ 74,543	\$ 81,019	\$ 81,939
Public safety	64,930	67,478	73,249	74,377	82,254	89,283	92,544	101,918	106,929	121,468
Health	47,069	44,558	42,992	42,062	45,218	50,080	53,719	60,838	62,540	71,270
Transportation	35,521	35,228	37,867	36,864	37,483	39,632	40,653	35,448	36,310	37,336
Economic assistance and opportunity	475,586	461,904	474,758	487,132	484,531	516,529	541,517	571,214	584,469	581,739
Culture and recreation	11,310	11,939	12,708	14,179	11,514	16,263	16,273	16,935	18,652	18,243
Education	28,527	30,593	39,053	36,978	36,830	37,362	40,128	43,387	45,893	50,981
Home and community services	27,364	24,783	27,847	26,661	28,089	28,285	31,222	32,889	39,771	38,224
Capital outlay	42,449	64,801	35,561	38,136	38,771	40,496	57,213	74,334	106,558	148,630
Debt service	45,309	43,521	43,217	43,044	41,854	39,041	35,599	32,382	32,213	35,481
Total	<u>\$ 851,831</u>	<u>\$ 851,376</u>	<u>\$ 859,218</u>	<u>\$ 879,570</u>	<u>\$ 890,062</u>	<u>\$ 925,907</u>	<u>\$ 984,539</u>	<u>\$ 1,043,888</u>	<u>\$ 1,114,354</u>	<u>\$ 1,185,311</u>

Source: Erie County Basic Financial Statements (General, Special Revenue, Debt Service and Capital Funds)

COUNTY OF ERIE, NEW YORK  
 General Governmental Revenues By Source  
 Last Ten Fiscal Years  
 (amounts expressed in thousands)

SOURCE	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Real property taxes & tax items	\$ 220,303	\$ 223,216	\$ 220,389	\$ 233,295	\$ 244,779	\$ 234,842	\$ 198,230	\$ 164,082	\$ 165,439	\$ 175,033
Sales, use and transfer taxes	201,685	208,557	216,057	219,985	216,965	235,571	246,914	249,174	250,049	265,977
Intergovernmental	317,216	302,236	291,616	290,794	326,477	327,747	318,755	366,998	367,919	380,299
Interfund revenues	17,058	12,640	24,068	22,297	25,157	26,262	28,006	28,893	37,303	40,697
Departmental	67,605	65,489	66,543	66,753	59,103	62,262	59,269	60,808	59,241	67,996
Interest	11,054	15,681	17,096	19,127	19,766	18,528	22,537	25,747	22,217	9,487
Miscellaneous	3,845	4,509	10,558	15,023	19,077	25,073	234,624	46,131	15,467	9,847
Total	<u>\$ 838,766</u>	<u>\$ 832,328</u>	<u>\$ 846,327</u>	<u>\$ 867,274</u>	<u>\$ 911,324</u>	<u>\$ 930,285</u>	<u>\$ 1,108,335</u>	<u>\$ 941,833</u>	<u>\$ 917,635</u>	<u>\$ 949,336</u>

Source: Erie County Basic Financial Statements (General, Special Revenue, Debt Service and Capital Funds)

COUNTY OF ERIE, NEW YORK  
 Property Tax Levies And Collections  
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>County-Wide Tax (1)</u>	<u>Current Tax Collections (2)</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections (3)</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1994	451,542,704	214,252,695	430,192,543	95.27%	21,132,018	451,324,561	99.95%	218,143	0.05%
1995	465,140,196	217,720,117	442,025,058	95.03%	22,739,125	464,764,183	99.92%	376,013	0.08%
1996	469,836,892	217,720,117	447,666,016	95.28%	21,763,502	469,429,518	99.91%	407,374	0.09%
1997	488,941,336	226,286,170	464,527,786	95.01%	24,021,630	488,549,416	99.92%	391,920	0.08%
1998	493,970,979	226,286,170	467,230,476	94.59%	26,364,278	493,594,754	99.92%	376,225	0.08%
1999	490,692,273	221,666,390	464,500,604	94.66%	25,761,855	490,262,459	99.91%	429,814	0.09%
2000	446,019,358	181,766,441	425,586,559	95.42%	18,042,402	443,628,961	99.46%	2,390,397	0.54%
2001	424,554,739	152,529,551	406,271,888	95.69%	17,756,200	424,028,088	99.88%	526,651	0.12%
2002	430,565,663	152,529,551	411,904,105	95.67%	17,900,762	429,804,867	99.82%	760,796	0.18%
2003	447,035,372	152,529,551	431,664,064	96.56%	14,797,679	446,461,743	99.87%	573,629	0.13%

Notes:

- (1) Totals shown exclude amounts levied in accordance with State law to recover from municipalities election expenditures incurred by the County.
- (2) Current tax collections - total levy less uncollected taxes at the date of the tax sale in November of the levy year.
- (3) Delinquent tax collections - uncollected taxes at the date of the tax sale less uncollected taxes as of 12/31/03

Source: Erie County Division of Budget, Management and Finance

COUNTY OF ERIE, NEW YORK  
 Assessed And Equalized Full Value Of Taxable Property  
 Last Ten Fiscal Years

Fiscal Year	Real Property				Ratio: Assessed Value to Equalized Full Value
	Assessed Value		Equalized Full Value		
	Total	Excluding Exemptions	Total	Excluding Exemptions	
1994	26,234,284,278	24,167,935,502	29,635,197,533	27,300,975,128	88.5241%
1995	26,475,428,721	24,514,938,849	32,677,007,141	30,257,294,047	81.0216%
1996	26,658,444,758	24,721,950,480	33,529,556,101	31,093,934,671	79.5073%
1997	26,636,307,686	24,685,032,643	34,706,677,222	32,164,197,465	76.7469%
1998	27,220,052,203	25,239,970,236	34,855,995,432	32,320,448,201	78.0929%
1999	27,295,843,036	25,180,476,853	35,077,868,534	32,359,412,952	77.8150%
2000	27,349,084,894	25,233,718,711	35,147,763,839	32,429,194,230	77.8117%
2001	29,042,626,017	26,849,506,255	34,550,397,674	31,941,365,010	84.0587%
2002	28,539,704,335	26,480,690,610	34,644,719,329	32,145,255,713	82.3782%
2003	29,065,096,132	27,026,638,924	36,108,623,724	33,576,174,357	80.4935%

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.

Source: Erie County Division of Budget, Management and Finance



COUNTY OF ERIE, NEW YORK  
Property Tax Rates - Direct And Overlapping Governments  
Last Ten Fiscal Years

Fiscal Year	Erie County			Other Taxing Entities (2)				City of Buffalo & County General Fund	Total County & Other Taxing Entities(2)
	General Fund	Special Revenue Funds	Total County	Cities, Towns & Villages	School Districts	Special Districts	City of Buffalo		
1994	7.85	1.34	9.19	3.98	17.16	5.86	25.62	33.47	36.19
1995	7.20	1.23	8.43	3.83	16.63	5.57	22.78	29.98	34.46
1996	7.00	1.24	8.24	3.75	16.78	5.45	22.90	29.90	34.22
1997	7.04	1.27	8.31	3.77	16.94	5.46	22.89	29.93	34.48
1998	7.00	1.35	8.35	3.79	17.32	5.47	22.86	29.86	34.93
1999	6.85	1.33	8.18	3.63	17.11	5.39	25.57	32.42	34.31
2000	5.61	1.29	6.90	3.59	17.58	5.25	26.00	31.61	33.32
2001	4.71	1.28	5.99	3.86	18.36	5.48	24.28	28.99	33.69
2002	4.75	1.34	6.09	3.89	18.49	5.32	25.10	29.85	33.79
2003	4.54	1.32	5.86	3.95	18.40	5.39	25.04	29.58	33.60

Notes:

(1) Rates shown are per \$1,000 of equalized full value (excluding exemptions).

(2) City of Buffalo is presented separately and is, therefore, not included in the column for cities, towns, and villages or the column for total county & other taxing entities.

The rate shown for Buffalo includes the levy for the Buffalo school system which receives funding from the City and cannot levy taxes.

Source: Erie County Division of Budget, Management and Finance

COUNTY OF ERIE, NEW YORK  
Ratio Of Net General Bonded Debt To Assessed Value  
And Net Bonded Debt Per Capita  
Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value (Excl. Exemptions)	Gross Bonded Debt	Less Self-Supporting Debt and Debt Service Funds(1)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value(Excl. Exemptions)	Net Bonded Debt Per Capita
1994	965,328	24,167,935,500	259,485,885	54,771,088	204,714,797	0.85%	212.07
1995	959,630	24,514,938,849	270,660,000	57,801,041	212,858,959	0.87%	221.81
1996	952,378	24,721,950,480	276,371,993	68,266,312	208,105,681	0.84%	218.51
1997	942,832	24,685,032,643	262,790,330	69,030,524	193,759,806	0.78%	205.51
1998	933,702	25,239,970,236	256,904,291	69,780,143	187,124,148	0.74%	200.41
1999	925,957	25,180,476,853	250,832,774	74,263,033	176,569,741	0.70%	190.69
2000	950,265	25,233,718,711	253,675,260	56,655,021	197,020,239	0.78%	207.33
2001	946,625	26,849,506,255	264,271,856	58,627,879	205,643,977	0.77%	217.24
2002	945,049	26,480,690,610	299,838,517	61,736,166	238,102,351	0.90%	251.95
2003	941,293	27,026,638,924	371,949,171	64,700,104	307,249,067	1.14%	326.41

Notes:

(1) Self-supporting debt includes sewer bonds but not enterprise activity bonds. Bonds for the enterprise activities are not treated as an exclusion in calculating net bonded debt because Erie County provides substantial operating subsidies to these funds and guarantees all enterprise debt.

Sources:

Population: 1993 to 1999 and 2001 to 2003 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.

Assessed Value (Excluding Exemptions): Erie County Division of Budget, Management and Finance

Debt: Erie County General Purpose Financial Statements

COUNTY OF ERIE, NEW YORK  
 Computation Of Debt-Contracting Margin (1)  
 December 31, 2003

Full valuation - fiscal year ended December 31: (2)

1999		\$ 32,098,754,941
2000		31,749,141,509
2001		31,941,364,997
2002		32,145,255,700
2003		33,576,174,348
Total five-year valuation		<u>\$ 161,510,691,495</u>
Average five-year valuation		<u>\$ 32,302,138,299</u>
Debt limit - 7% of average five-year full valuation		\$ 2,261,149,681
Total indebtedness: (3)		
Short term	\$ 91,805,383	
Long term	372,779,097	
	<u>464,584,480</u>	
Less indebtedness excluded from debt limit (3)	<u>138,194,442</u>	
Net indebtedness (after statutory exclusions)		<u>(326,390,038)</u>
Net debt-contracting margin		<u>\$ 1,934,759,643</u>
Percentage of debt-contracting power exhausted		<u>14.4347%</u>

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) Indebtedness illustrated in this table is comprised of the following:
  - Short term - RANs \$90,000,000, BANs \$1,805,383
  - Long term - Bonds \$372,779,097 (Includes \$1,039,664 unamortized discount on zero coupon bonds);
  - Exclusions - Sewer Bonds \$46,389,059, RANs \$90,000,000, BANs \$1,805,383

Sources:

Property value - Erie County Division of Budget, Management and Finance  
 Indebtedness and exclusions - Erie County Comptroller's Office

COUNTY OF ERIE, NEW YORK  
 Computation Of Direct And Overlapping Debt  
 December 31, 2003

<u>Jurisdiction</u>	<u>Fiscal Year Ended</u>	<u>Net Debt Outstanding(1)</u>	<u>Percentage Applicable to Erie County</u>	<u>Amount Applicable to Erie County</u>
<u>Direct:</u>				
Erie County	12/31/03	\$ 325,560,112	100%	\$ <u>325,560,112</u>
<u>Overlapping:</u>				
Cities	06/30/02	241,180,914	100%	241,180,914
Towns	12/31/02	166,010,309	100%	166,010,309
Villages	05/31/02	17,321,068	100%	17,321,068
School districts	06/30/02	820,843,391	100%	820,843,391
Fire districts	12/31/02	14,461,759	100%	<u>14,461,759</u>
Total Overlapping				<u>1,259,817,441</u>
Total				\$ <u><u>1,585,377,553</u></u>

Note:

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

Sources:

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

COUNTY OF ERIE, NEW YORK  
Ratio Of General Obligation Debt Service  
To Total General Expenditures  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total General Obligation Debt Service(1)</u>	<u>Total General Expenditures(2)</u>	<u>Ratio of General Debt Service to Total General Expenditures</u>
1993	\$ 30,546,000	\$16,360,000	\$ 46,906,000	\$ 786,397,000	5.96%
1994	32,041,000	13,268,000	45,309,000	851,831,000	5.32%
1995	26,843,000	16,678,000	43,521,000	851,376,000	5.11%
1996	26,930,000	16,287,000	43,217,000	859,218,000	5.03%
1997	27,573,000	15,471,000	43,044,000	879,570,000	4.89%
1998	27,535,000	14,319,000	41,854,000	890,062,000	4.70%
1999	26,422,000	12,619,000	39,041,000	925,907,000	4.22%
2000	25,250,000	10,349,000	35,599,000	984,539,000	3.62%
2001	21,452,000	10,930,000	32,382,000	1,043,888,000	3.10%
2002	20,653,000	11,252,000	31,905,000	955,641,000	3.34%
2003	21,124,000	12,895,000	34,019,000	1,005,500,000	3.38%

Notes:

- (1) Debt service amounts shown include payments made from any governmental type funds.
- (2) General expenditures include amounts recorded in the general, special revenue, capital projects and debt service funds.

Source: Erie County Basic Financial Statements

COUNTY OF ERIE, NEW YORK  
 Demographic Statistics  
 Last Ten Fiscal Years

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Population	965,328	959,630	952,378	942,832	933,702	925,957	950,265	946,209	942,794	941,293
Per Capita Income	\$ 21,507	\$ 22,530	\$ 23,297	\$ 24,296	\$ 25,549	\$ 26,460	\$ 27,873	\$ 28,288	\$ 29,208	N/A
Public School Enrollment (K to 12)	139,163	141,724	142,354	142,007	142,273	141,885	141,205	139,776	138,031	135,294
Non Public School Enrollment (K to 12)	27,758	27,636	27,558	27,586	27,099	27,053	26,405	25,489	25,292	24,558
Unemployment Rate	5.9%	5.2%	4.9%	5.1%	5.1%	5.2%	4.7%	5.0%	5.7%	6.1%

	Ages 0 to 17	Ages 18 to 24	Ages 25 to 34	Ages 35 to 44	Ages 45 to 54	Ages 55 to 64	Ages 65 to 74	Ages 75 & up
Population by Age (per 2000 Census)	230,550	82,668	119,168	150,498	130,062	86,061	76,207	75,051
N/A - Not Available								

- 101 -

Sources:

Population: The 1993 to 1999 and 2001 to 2003 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.

Per Capita Income: United States Department of Commerce, Bureau of Economic Analysis; material compiled by New York State Department of Commerce. Data for 2002 is not available at this time.

Population by Age: The United States Bureau of the Census.

School Enrollment: New York State Education Department, Information Center on Education. School enrollment data represents the 1993-94 to 2002-2003 school years.

Unemployment Rate: New York State Department of Labor

COUNTY OF ERIE, NEW YORK  
Property Value, Construction And Bank Deposits  
Last Ten Fiscal Years

Fiscal Year	Residential Construction		Bank Deposits in Thousands(1)	Equalized Full Value of Real Property	
	No. of Units	Value		Commercial and Residential	Nontaxable(2)
1994	1,871	249,472,738	11,760,356	29,635,197,533	2,334,222,405
1995	1,538	203,305,667	12,946,773	32,677,007,141	2,419,713,094
1996	1,530	225,365,681	12,966,947	33,529,556,101	2,435,621,430
1997	1,278	216,472,639	13,436,317	34,706,677,222	2,542,479,757
1998	1,250	202,466,742	14,620,940	34,855,995,432	2,535,547,231
1999	1,562	234,940,187	14,009,686	35,077,868,534	2,718,455,582
2000	1,441	244,919,141	14,221,285	35,147,763,839	2,718,569,609
2001	1,571	290,852,853	16,028,496	34,550,397,674	2,609,032,664
2002	2,059	361,438,943	19,817,354	34,644,719,329	2,499,463,116
2003	1,822	349,026,524	19,044,537	36,108,623,724	2,532,449,367

Notes:

(1) These amounts are as of each fiscal June 30th and include commercial banks and all FDIC and FSLIC insured financial institutions.

(2) Nontaxable property represents exempt and partially exempt property.

Sources:

Bank deposit information obtained from the Federal Deposit Insurance Corporation and the Department of the Treasury, Office of Thrift Supervision.

Construction data: Compiled by the U.S. Bureau of the Census, Construction Statistics Division, Building Permits Branch.

Property value information supplied by the Erie County Division of Budget, Management and Finance.

COUNTY OF ERIE, NEW YORK  
Principal Taxpayers  
Year Ended December 31, 2003

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 Equalized Full Value</u>	<u>Percentage of Equalized Full Value(1)</u>
National Fuel Gas	Utility	\$ 594,115,222	1.7695%
Niagara Mohawk Power Corp.	Utility	528,431,143	1.5738%
Benderson Development	Real estate development & management	394,847,996	1.1760%
Verizon New York Inc.	Utility	291,612,369	0.8685%
N.Y. State Elect. & Gas Corp.	Utility	204,259,252	0.6083%
Pyramid Company of Buffalo	Retail shops	134,516,768	0.4006%
Pennsylvania Lines L.L.C.	Railroad	99,087,703	0.2951%
Boulevard Mall L.L.C.	Retail Shops	58,182,372	0.1733%
Norfolk Southern Corporation	Railroad	57,414,773	0.1710%
Wegman's Food Market	Food Retailer	54,759,087	0.1631%
Marine Buffalo Associates	Office Building	50,768,000	0.1512%
Home Properties of NY	Apartment Complexes	47,754,561	0.1422%
McKinley Mall L.L.C.	Retail Shops	46,519,202	0.1385%
M & T Bank	Bank	43,342,337	0.1291%
Bethlehem Steel Corp.	Steel Mill	42,158,995	0.1256%
		<u>\$ 2,647,769,780</u>	7.8859%

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) of \$ 33,576,174,348

Source: Erie County Division of Budget, Management and Finance



COUNTY OF ERIE, NEW YORK  
 Miscellaneous Statistics  
 December 31, 2003

Date of Incorporation	April 2, 1821
Form of Government	Executive/Legislature
Area	1,058 square miles
Highways: (County maintained and operated only)	
Miles of roads	1,200
Highway maintenance facilities	10
Emergency Services: (1)	
Emergency communication stations (County operated)	2
Training centers operated by the County	3
Instructors (County personnel only)	30
Firefighters trained in 2003	4,000
Police Protection - Erie County Sheriff's Office: (2)	
Stations	17
Officers	813
Support personnel	143
Education:	
School districts	29
Professional staff (grades K to 12)	15,750
Students (grades K to 12)	159,852
Colleges and universities	7
Community and junior colleges	6
Library:	
Outlets	59
Books	3,640,562
Audio-visual materials	350,346
Non-book items	1,524,381
County Employees (3)	6,768

Notes:

- (1) The Department of Emergency Services provides firefighting and other emergency related training to employees of and volunteers from municipalities in the County.
- (2) Police protection is provided directly to residents by most municipalities within the County.
- (3) Represents filled full-time positions excluding 1575 positions for self-supporting sewer districts, and grant programs funded by other governments.

Sources:

- Education - New York State Department of Education
- All other - Various Erie County departments

COUNTY OF ERIE, NEW YORK  
 Recreational Facilities  
 Operated By County Government  
 December 31, 2003

#	Name of Park	Type of Facility	2003 Attendance	Acres
1)	Akron Falls	Picnic, skating, tennis, baseball, waterfall	198,122	284
2)	Chestnut Ridge	Picnic, toboggan, tennis, baseball, ski-lift, lodge	253,673	1,431
3)	Como Lake	Picnic, baseball, tennis, skating, fishing	154,209	534
4)	Ellicott Creek	Picnic, baseball, tennis, boating, fishing	220,396	165
5)	Emery	Picnic, baseball, tennis, ski-lift, lodge	63,833	489
6)	Isle View	Picnic, boat races, launch, grandstand, fishing	82,539	49
7)	Sprague Brook	Picnic, camping, tennis, baseball, hiking	95,361	974
8)	Elma Meadows	18 hole golf, clubhouse, picnic, cross country skiing	82,021	220
9)	Grover Cleveland	18 hole golf, clubhouse	47,330	91
10)	Wendt Beach	Picnic, sandy beach, swimming, baseball	68,902	178
11)	Botanical Gardens	Indoor and outdoor plant and floral garden	97,972	11
12)	Bennett Beach	Picnic, sandy beach, swimming	54,336	45
13)	Forestry (12 Lots)	Reforestation lots, unspoiled nature trails	4,947	3,200
14)	Scobey Dam Park	Dam, fishing	35,729	28
15)	18 Mile Creek	Significant archeological area, scenic, undeveloped	N/A (1)	464
16)	Hunters Creek	Undeveloped, hiking	N/A (1)	759
17)	Beeman Creek	Undeveloped, hiking	N/A (1)	391
18)	Franklin Gulf	Undeveloped, hiking	N/A (1)	637
19)	Boston Forest	Undeveloped, hiking	N/A (1)	707
	Total		<u>1,459,370</u>	<u>10,657</u>

N/A - Not available

Notes:

(1) Park is undeveloped; attendance is not monitored.

Source: Erie County Department of Parks, Recreation and Forestry

COUNTY OF ERIE, NEW YORK  
Principal Employers  
December 31, 2003

<u>Employer</u>	<u>Type of Activity</u>	<u>Number of Full Time Employees</u>
State of New York	Government & University	15,000
U.S. Government	Government	11,000
City of Buffalo	Government (includes schools)	10,533
County of Erie	Government	6,768 (1)
Kaleida Health	Health Care	5,876
HSBC	Commercial Bank	5,155 (2)
M & T Bank	Commercial Bank	5,130
Delphi Harrison	Radiator Manufacturer	5,000
Catholic Health System	Health Care	4,670
U. S. Postal Service	Mail Delivery & Related Svcs.	4,165
Catholic Diocese of Buffalo	Religious Organization	4,000
Tops Markets Inc.	Food Retailer	3,200
General Motors Corporation	Automobile Manufacturer	3,100
Verizon Communications	Telecommunications	2,700
United Parcel Service	Delivery Services	2,300
Total		<u><u>88,597</u></u>

Note:

(1) Represents filled full-time positions excluding 1,575 positions for self-supporting sewer districts, and grant programs funded by other governments.

(2) Information is from 2001, as stated in Business First 2004

Sources:

Erie County employment - Erie County Division of Budget, Management and Finance  
All other employment - Business First - 2004 Book of Lists