

FM

RECEIVED
ERIE COUNTY LEGISLATURE

1998 DEC 31 A 9:15

**COUNTY OF ERIE, NEW YORK
INTERIM FINANCIAL REPORT**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998



Erie County Comptroller's Office

NANCY A. NAPLES

County Comptroller

1E-8

COUNTY OF ERIE, NEW YORK

**TABLE OF CONTENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998**

	<u>Page</u>
Transmittal Letter	1
GENERAL PURPOSE FINANCIAL STATEMENTS (Combined Statements - Overview)	
Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Unit	4 - 5
Combined Statement of Revenues, Expenditure and Changes in Fund Balances - All Governmental Fund Types and Discretely Presented Component Unit	6 - 7
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - All Enterprise Funds	8
Statement of Changes in Fund Balances - All Funds - Community College	9
Notes to General Purpose Financial Statements	10 - 35
COMBINING FINANCIAL STATEMENTS	
Special Revenue Funds:	
Combining Balance Sheet	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	41
Enterprise Funds:	
Combining Balance Sheet	44



County of Erie

NANCY A. NAPLES
COMPTROLLER

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

We have prepared the accompanying interim financial statements of the County of Erie, New York as of and for the nine months ended September 30, 1998, except that statements for Erie Community College reflect the nine months ended May 31, 1998. The Erie Community College fiscal year ends August 31, while Erie County's fiscal year ends December 31.

The statements have been prepared from the official records of the County, except for those statements presented for the Erie County Medical Center, the Erie County Home, and the Erie Community College, which substantially reflect information from financial records separately maintained at these facilities.

These statements have not been reviewed by an independent auditor and, accordingly, no opinion on these statements is expressed.

Based on inquiries of County personnel and the application of analytical procedures, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.



County Comptroller

November 30, 1998
Buffalo, New York

GENERAL PURPOSE FINANCIAL STATEMENTS
(Combined Statements - Overview)

These general purpose 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 (made up of the County's fund types and account groups, as well as the Erie Community College) and its discretely presented component unit.

COUNTY OF ERIE, NEW YORK
 Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Unit
 September 30, 1998
 (amounts expressed in thousands)

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Community	Totals	Component	Totals
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Debt	College May 31, 1998	(Memorandum Only)	Unit	(Memorandum Only)
										Primary Government	Library	Reporting Entity
Liabilities, equity and other credits												
Liabilities:												
Accounts payable	\$ 8,087	\$ 989	\$	\$ 2,420	\$ 15,828	\$ 23	\$	\$	\$ 18	\$ 27,141	\$ 258	\$ 27,397
Accrued liabilities	101,208	3,123			24,050				3,253	131,832	231	131,883
Due to other funds	2,278	17,770		18,448			1,505		1,094	41,093		41,093
Due to component unit	2,193									2,193		2,193
Retained percentages	2	6		1,138						1,146		1,146
Amounts held in custody for others					733	141,422				142,155		142,155
Deferred revenue	59,214	19,759			4,511				1,831	85,315	982	86,297
Short-term debt	10,140			400	28,880					40,400		40,400
Advances from other funds					9,248					9,248		9,248
Bonds payable					38,182			190,140		228,322		228,322
Other long-term obligations					25,118			43,485		68,581	2,109	70,690
Total liabilities	183,120	41,827	0	22,404	147,326	142,950	0	233,805	6,194	777,228	3,578	780,804
Equity and other credits:												
Investment in fixed assets							551,732		17,855	569,387		569,387
Contributed capital					12,258					12,258		12,258
Retained earnings:												
Reserved for debt service					831					831		831
Unreserved					15,477					15,477		15,477
Fund balances:												
Reserved for encumbrances	38,512	4,474		18,151					1,818	81,955	542	82,497
Reserved for advances to other funds	9,248									9,248		9,248
Reserved for debt service										13,357		13,357
Reserved for prepaid items	20,704									20,704		20,704
Reserved for repairs		2,427								2,427		2,427
Reserved for E-911 system costs		187								187		187
Unreserved:												
Designated for subsequent year's expenditures		1,221								1,221	711	1,932
Designated for property tax relief	9,950									9,950		9,950
Designated for contingencies	3,512									3,512	304	3,816
Undesignated	123,748	13,882		3,084					13,947	154,451	4,895	159,346
Total equity and other credits	208,674	21,971	13,357	18,245	28,388	0	551,732	0	33,420	874,765	6,452	881,217
Total liabilities, equity and other credits	\$ 389,794	\$ 63,598	\$ 13,357	\$ 41,649	\$ 175,692	\$ 142,950	\$ 551,732	\$ 233,805	\$ 39,614	\$ 1,851,991	\$ 10,030	\$ 1,882,021

See accompanying notes to general purpose financial statements.

COUNTY OF ERIE, NEW YORK
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Fund Types and Discretely Presented Component Unit
 Nine Months Ended September 30, 1998
 (amounts expressed in thousands)

	Governmental Fund Types				Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Primary Government	Library	Reporting Entity
Other financing sources (uses) :							
Proceeds of general obligation debt				638	638		638
Sale of property	135	1			136	66	202
Operating transfers in	33,005	12,833	18,659	9,506	74,003		74,003
Operating transfers from component unit			908		908		908
Operating transfers to primary government						(908)	(908)
Operating transfers out	(55,040)	(9,595)		(1,052)	(65,687)		(65,687)
Total other financing sources (uses)	(21,900)	3,239	19,567	9,092	9,998	(842)	9,156
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	104,524	4,664	(12,228)	(9,663)	87,297	4,280	91,577
Fund balances at beginning of year	102,150	17,307	25,584	28,909	173,950	2,172	176,122
Residual equity transfers			1	(1)			
Fund balances at end of nine months	\$ 206,674	\$ 21,971	\$ 13,357	\$ 19,245	\$ 261,247	\$ 6,452	\$ 267,699

See accompanying notes to general purpose financial statements.

COUNTY OF ERIE, NEW YORK
Statement of Changes in Fund Balances - All Funds
Community College
Nine Months Ended May 31, 1998
(amounts expressed in thousands)

	Current Funds		Plant Fund Investment in Plant	Total (Memorandum Only)
	Unrestricted	Restricted		
Revenues and other additions:				
Educational and general revenues	\$ 42,157	\$ 10,508	\$	\$ 52,665
Expended for plant facilities from current funds			999	999
Private gifts, grants, and contracts-restricted			263	263
Total revenues and other additions	<u>42,157</u>	<u>10,508</u>	<u>1,262</u>	<u>53,927</u>
Expenditures and other deductions:				
Educational and general expenditures	<u>42,058</u>	<u>10,508</u>		<u>52,566</u>
Other transfers and additions:				
Operating transfers in	<u>11,475</u>			<u>11,475</u>
Net increase in fund balances	<u>11,574</u>	<u>0</u>	<u>1,262</u>	<u>12,836</u>
Fund balance September 1, 1997	<u>4,191</u>		<u>16,393</u>	<u>20,584</u>
Fund balance May 31, 1998	<u>\$ 15,765</u>	<u>\$ 0</u>	<u>\$ 17,655</u>	<u>\$ 33,420</u>

See accompanying notes to general purpose financial statements.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1998

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Concluded)

2. Related Organizations

County elected officials nominate and confirm the three-member board of the Erie County Water Authority, and also appoint a voting majority of the board of the Buffalo Convention Center Management Corporation. The County's accountability for these legally separate organizations does not extend beyond making the board appointments. Specifically, the County cannot impose its will on either organization. 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 regards to the not-for-profit Buffalo Convention Center Management Corporation, the entity and the County are parties to an exchange transaction under which the Corporation is responsible for operating and managing the area's convention center. These related organizations are not component units of the County and do not meet the basic criteria for inclusion in the County reporting entity.

3. Joint Venture

The County is a participant in the Western Regional Off-Track Betting 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 generally accepted accounting principles. Additional information about this joint venture is presented in Note XIII.

B. Basis of Presentation

The financial transactions of Erie County are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues, and expenditures/expenses which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The various funds are summarized by type in the financial statements. The following fund types and account groups are used:

1. FUND CATEGORIES

- a. **Governmental Funds - Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental funds measure financial position and changes in financial position. The following are the County's governmental fund types:**

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1998

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

2. ACCOUNT GROUPS (Concluded)

General Long-Term Debt Account Group - used to account for all long-term obligations except those accounted for in proprietary funds. It includes bonds, installment purchase debt, contractual obligations, capitalized leases, pensions, compensated absences, judgments, claims, and the long-term portion of bond anticipation notes. The general long-term debt of the County is secured by its general credit and revenue-raising powers, as per State statute. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

3. COMMUNITY COLLEGE

Resources received and used for community college purposes are accounted for through the Community College. The Community College is not a legally separate entity from the County. A fiscal year ending August 31 is mandated by State law for the Community College. For these reasons, and also because of differences between generally accepted accounting principles for colleges and those for local governments, the Community College financial statements are separately presented within the financial data of the primary government.

Financial position and activity of the Community College is reported as of and for the nine months ended May 31, 1998. The financial data presented was internally prepared by Community College personnel and was not subjected to any additional review procedures.

The College uses the accrual basis of accounting in that revenues are recognized when earned, and expenditures are recorded when materials are received or services are provided. Expenditures incurred at the balance sheet date, including retirement costs, are accrued, and expenditures applicable to future periods are deferred. Depreciation expense is not recognized since it is not required for community colleges. The College does not account for capital projects, certain fixed assets or indebtedness; these are direct functions of the County and are recorded in the applicable County funds and account groups.

Additional information as excerpted from the College financial statements is as follows:

The County Executive and the County Legislature approve the College's annual budget, with the County providing funding for one-half and approximately one-fifth of capital and operating costs, respectively.

Equipment of the College recorded within the College's Plant Fund has been included in the separate Community College column. This equipment is recorded at cost or estimated historical cost. Donated assets are stated at estimated fair market value as of the date received.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1998

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting (Concluded)

Revenues from federal, state, or other grants designated for specific County expenditure are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at year end is recorded as deferred revenue or accounts receivable, respectively.

Material revenues accrued at September 30, 1998 are discussed in Note V. There were no significant revenues considered as not subject to accrual.

Under the modified accrual basis of accounting, expenditures are generally recognized when the related liability is incurred. Exceptions to this general rule are as follows:

- a. Expenditures for inventory-type items and for prepayments (except retirement) are recognized at the time of the disbursements.
- b. Principal and interest on long-term indebtedness are not recognized as an expenditure until due.
- c. Expenditures for claims and judgments, compensated absences and retirement are recognized as stated in Notes I(L), I(K) and I(M), respectively.

Accrual Basis - Proprietary funds are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred, except for workers' compensation which is recorded as an expense as invoiced from the County. Fixed assets and long-term liabilities related to these activities are recorded within the funds.

Proprietary funds apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

Account Groups - General fixed assets are recorded at actual or estimated historical cost or, in the case of gifts and contributions, at the fair market value at the time received. No provision for depreciation is made. General long-term debt liabilities which arise from debt issuances are recorded at the par value of the principal amount, except for issuances of deep-discount debt which are recorded at accreted values; no liability is recorded for interest payable to maturity. Other general long-term liabilities are recorded in amounts which represent the unbilled and noncurrent portions exclusive of interest.

D. Budgets and Budgetary Data

Pertinent information relative to the County's budget adoption and budgetary control processes is as follows:

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

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1998

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 period end, exclusive of grant-related commitments, 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 a subsequent period.

Commitments related directly to the Grants and Community Development Special Revenue Funds in the amount of \$5.08 million and \$2.25 million, respectively, at September 30, 1998 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.

F. Investments

Investments are stated at cost which approximates market, except for investments in the deferred compensation agency fund, which are reported at market value.

G. Inventories

Inventories of the Erie County Medical Center and the Erie County Home are valued at market, which does not vary significantly with the lower of cost or market, determined by the first-in, first-out method.

H. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

I. Property, Plant and Equipment

1. General Fixed Assets

Fixed assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received. Fixed assets consisting of certain infrastructure-type improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the County. Therefore, the purposes of stewardship for capital expenditures can be satisfied without recording these assets in the General Fixed Assets Account Group.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1998

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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 and Library component unit employees are recorded in the general long-term debt account group of the primary government and the component unit, respectively, if expendable available financial resources will not be used to liquidate these amounts; otherwise, they are recorded as a fund liability and expenditures if payable from current resources. For proprietary fund type employees, the accumulation is recorded as an accrued liability and/or other long-term obligation of the proprietary fund type; and for Erie Community College employees, the accumulation is recorded as an accrued liability of the Community College.

Payment of compensated absences recorded in the general long-term debt account group of the primary government and the Library component unit 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.

L. Insurance

The County assumes the liability for most risk including, but not limited to, property damage, personal injury liability, 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 Governmental Accounting Standards Board (GASB) Statement No. 10 (Accounting and Financial Reporting for Risk Financing and Related Insurance Issues). Governmental fund type estimated current contingent loss liabilities (i.e., those to be liquidated with available financial resources in the ensuing fiscal year) for property damage, personal injury liability and workers' compensation are recorded in the General Fund. The long-term portion (i.e., liabilities to be paid from future resources) is recorded in the General Long-Term Debt Account Group.

Proprietary fund type loss contingency liabilities are recorded in accordance with GASB Statement No. 10 in the Enterprise Funds, 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 Community College are recorded in accordance with GASB Statement No. 10, but only workers' compensation liabilities are recognized by the College in its financial records. Liabilities relating to other types of risk are recorded by the County in either the General Fund or the General Long-Term Debt Account Group based on whether or not they will be liquidated using expendable available financial resources.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1998

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Reserves and Designations (Concluded)

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

Reserved for Advances to Other Funds - representing the noncurrent portion of loans to the Erie County Medical Center and/or the Erie County Home.

Reserved for Debt Service - representing resources that have been restricted for principal payments that will be made in future periods.

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 restricted for the purpose of repairing County roads and bridges.

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

Designations are not legally required segregations, but are segregated for a specific purpose by the County and include:

Designated for Subsequent Year's Expenditures - representing available fund balances that can be used to meet future expenditure requirements.

Designated for Property Tax Relief - representing surplus funds that have been set aside for purposes of reducing the County's real property tax levy in future years.

Designated for Contingencies - representing funds set aside for the purpose of providing special aid to cities and to facilitate efforts of municipalities to consolidate services, as well as funds earmarked by Library component unit trustees for expenditures which cannot be accommodated from the appropriations for a particular year.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1998

II - INTERIM STATEMENTS (Concluded)

expenditures do not necessarily accrue equally each month of the fiscal year. The County adopts the formal budget on an annual basis only and does not present budget data for interim reporting purposes.

The County analyzes its budgetary performance and normally presents the results in a monthly Budget Monitoring Report. For the nine months ended September 30, 1998, the County's budget monitoring system showed a \$21.60 million net positive budget variance for all monitored County operations. Monitored operations include the General Fund; the Erie County Medical Center and the Erie County Home Enterprise Funds; the Road Special Revenue Fund; the Public Library; the Debt Service Fund; and the Social Services Fund.

The interim variance from the monthly Budget Monitoring Report should not be used to project any full year results.

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 pooling 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.

Permissible investments include obligations of the U.S. Treasury and U.S. agencies, contractual repurchase agreements, and obligations of New York State. Per existing policies, the underlying securities for repurchase transactions must be only federal obligations.

Collateral is required for deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. Banks can satisfy collateral requirements by furnishing a letter of credit, a surety bond, or by pledging eligible securities as specified in Section 10 of New York State General Municipal Law.

IV - PROPERTY TAXES

The Countywide property tax is levied in late December of each year at the last meeting of the County Legislature upon the taxable real property in the towns and cities in the County 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% prior to March 1, 2% prior to March 16, 3% prior to April 1, 4% prior to April 16, 5% prior to May 1, and 1% 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.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1998

VI - RETIREMENT PLAN

Background

The County participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. 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 adopts and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of related 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.

Funding Policy

Contributions equal to 3% of salary are required of employees, except for those persons who joined the New York State and Local Employees' Retirement System before July 27, 1976. 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 contributions for the last three calendar years were:

<u>Year</u>	<u>Contribution Amount</u>	
	<u>County</u>	<u>Component Unit</u>
1997	\$10,128,185	\$443,892
1996	16,192,794	641,150
1995	9,475,859	415,160

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 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 the 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 liability at the end of the last completed fiscal year was \$20,704,275, of which

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1998

VII - LONG-TERM DEBT

A. Summary of Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the nine months ended September 30, 1998:

1. Enterprise Funds

(000s omitted)

	<u>Balance</u> <u>1-1-98</u>	<u>Additions and</u> <u>Reclassifications</u>	<u>Payments and</u> <u>Reclassifications</u>	<u>Balance</u> <u>9-30-98</u>
Bonded Indebtedness:				
Erie County Medical Center	\$ 40,407	\$ 17	\$ 7,714	\$ 32,710
Erie County Home	<u>6,010</u>	<u>2</u>	<u>540</u>	<u>5,472</u>
Bonds Payable for financial statement purposes	\$ <u>46,417</u>	\$ <u>19</u> *	\$ <u>8,254</u>	\$ <u>38,182</u>
Other Long-Term Obligations:				
Capitalized Leases:				
Erie County Medical Center	\$ <u>2,557</u>	\$ <u>0</u>	\$ <u>649</u>	\$ <u>1,908</u>
Due to New York State and Local Employees' Retirement System:				
Erie County Medical Center	5,698	2,087		7,785
Erie County Home	<u>855</u>	<u>7</u>	<u>7</u>	<u>848</u>
	<u>6,553</u>	<u>2,087</u>	<u>7</u>	<u>8,633</u>
Compensated Absences:				
Erie County Medical Center	5,962	121		6,083
Erie County Home	<u>3</u>	<u>30</u>		<u>33</u>
	<u>5,965</u>	<u>151</u>	<u>0</u>	<u>6,116</u>
Judgements and Claims:				
Erie County Medical Center	<u>9,815</u>	<u>0</u>	<u>1,356</u>	<u>8,459</u>
	\$ <u>24,890</u>	\$ <u>2,238</u>	\$ <u>2,012</u>	\$ <u>25,116</u>

* Includes \$.019 million representing portion of zero coupon bonds discount amortized in current year; remaining unamortized discount is \$.185 million.

2. Library Component Unit

(000s omitted)

	<u>Balance</u> <u>1-1-98</u>	<u>Additions and</u> <u>Reclassifications</u>	<u>Payments and</u> <u>Reclassifications</u>	<u>Balance</u> <u>9-30-98</u>
Other Long-Term Obligations:				
Due to New York State and Local Employees' Retirement System				
	\$ 977	\$	\$	\$ 977
Compensated Absences				
	<u>1,124</u>	<u>8</u>		<u>1,132</u>
	<u>\$2,101</u>	<u>\$ 8</u>	<u>\$ 0</u>	<u>\$2,109</u>

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1998

VII - LONG-TERM DEBT (Continued)

B. 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 (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.

C. Constitutional Debt Limit

The County constitutional debt limit at December 31, 1997 is as follows:

	(000s omitted)
Five-Year Average Full Valuation of Taxable Real Estate (1993-97)	\$ <u>29,308,384</u>
Debt Limit @ 7%	\$ 2,051,587
Net Indebtedness (After Statutory Exclusions)	<u>(226,344)</u> *
Net Debt Contracting Margin	\$ <u>1,825,243</u>
Percentage of Debt Contracting Power Exhausted	11.03%

- * Gross indebtedness of \$350.56 million less exclusions of \$124.22 million. Net indebtedness also does not include \$.062 million of remaining payments, excluding interest, to be made by the County under installment purchase contracts. Under recent amendments to the New York State Local Finance Law, in some cases, such amounts must be deemed to be indebtedness for purposes of calculating the debt contracting margin of the County. If such amount met the inclusion criteria, the percentage of debt contracting power exhausted would have increased to 11.04%.

D. Operating Leases

Operating lease obligations are primarily for rental of space. Lease expenditures/expenses for the year ended December 31, 1997 for the County were approximately \$4.31 million. The future minimum rental payments required for noncancelable operating leases are:

	(000s omitted)
<u>Fiscal</u> <u>Year</u>	<u>Amount</u>
1998	\$ 3,603
1999	2,832
2000	2,697
2001	2,509
2002	<u>1,187</u>
	\$ <u>12,828</u>

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1998

IX - 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 the County's short-term debt:

(000s omitted)

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Bond Anticipation Note	4-05-96	12-31-98	0%	\$	\$ 225	\$	\$ 225
Bond Anticipation Note	6-25-98	6-24-00	0%		91		91
Bond Anticipation Note	5-30-97	5-29-99	0%		84		84
Revenue Anticipation Note	10-30-97	10-29-98	4.50%	<u>10,140</u>	<u> </u>	<u>29,860</u>	<u>40,000</u>
				<u>\$ 10,140</u>	<u>\$ 400</u>	<u>\$ 29,860</u>	<u>\$ 40,400</u>

The current portion of proprietary fund type bonds totals \$8,559,637 and is included within the bonds payable classification on the balance sheet.

The current portion of proprietary fund type capitalized leases totals \$526,029 and is included within the other long-term obligations classification on the balance sheet.

X - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains two Enterprise Funds:

- The Erie County Medical Center, which provides health care services.
- The Erie County Home, which provides nursing home services.

Additional information relating to the Erie County Medical Center and the Erie County Home follows:

- A) The County has made provision for operating subsidies to the Erie County Medical Center and the Erie County Home in the amounts of \$16,106,177 and \$1,513,130, respectively. Through September 30, 1998, cash subsidies of \$12,079,630 and \$1,134,846 had been transferred to the Erie County Medical Center and the Erie County Home, respectively.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1998

XI - INTERFUND TRANSACTIONS

- A. Interfund receivables and payables of the County at September 30, 1998 consisted of the following:

(000s omitted)

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 26,896	\$ 2,278
Special Revenue:		
Road	2,811	
Sewer	3,459	
Grants		17,770
Debt Service	6,698	
Capital Projects	135	18,446
Agency		1,505
Community College	<u>1,094</u>	<u>1,094</u>
	<u>\$ 41,093</u>	<u>\$ 41,093</u>

- B. Noncurrent portions of County long-term interfund loans receivable and payable (which are reported as advances to/from) at September 30, 1998 were as follows:

(000s omitted)

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances From Other Funds</u>
General	\$9,248	
Enterprise:		
Medical Center		\$9,248

XII - 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 claim adjustment expenditures/expenses and estimated recoveries on unsettled claims, if any.

COUNTY OF ERIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (Concluded)
SEPTEMBER 30, 1998

XIII - 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, is governed by a board of directors comprised of one member from each participating county and city. The Corporation's net revenue is divided amongst 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.

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 net revenue available for distribution was \$11,616,519 for 1997. At December 31, 1997, net revenue still payable to participating municipalities was \$600,270, and cumulative net revenue retained for capital acquisitions was \$20,953,795. The unexpended balance of funds retained for capital acquisitions cannot exceed the lesser of one percent 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.

XIV - SUBSEQUENT EVENTS

On November 12, 1998, the County issued \$29,000,000 of general obligation serial bonds. The proceeds will be used for various capital improvement purposes, mainly in the areas of roads and bridges, sewers, building improvements/rehabilitation, and the acquisition of a new hospital information system. The interest rate for the bonds is 4.25% to 5.00%, and they mature November 2000 through November 2013.

The County issued \$60,000,000 of revenue anticipation notes dated October 14, 1998. These general obligation notes, which have an interest rate of 4.00%, were issued in anticipation of the receipt of monies that will become due during the current fiscal year from the state and federal governments. The proceeds of the notes will be used to pay ordinary and current operating expenses payable from the monies in anticipation of which the notes have been issued. The notes mature on October 13, 1999, 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 FINANCIAL STATEMENTS

These financial statements provide more detailed information than is presented in the general purpose financial statements.

Combining statements are presented when there is more than one fund of a given fund type

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, Community Development and Grants 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 which are eligible under federal program regulations.

- **Grants Special Revenue Fund**

Used to separately 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.

special revenue funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nine Months Ended September 30, 1998
 (amounts expressed in thousands)

	Road	Sewer	Downtown Mall	E-911	Community Development	Grants	Total
Revenues:							
Real property taxes and tax items	\$	\$ 18,230	\$ 1,195	\$	\$	\$	\$ 19,425
Sales, use and transfer taxes	4,927			1,158			6,085
Intergovernmental	3,575				2,399	57,229	63,203
Interfund revenues	5					1,347	1,352
Departmental	138	5,381			1,344	2,351	9,214
Interest		683				118	801
Miscellaneous		7				64	71
Total revenues	8,645	24,301	1,195	1,158	3,743	61,109	100,151
Expenditures:							
Current:							
General government support			1,132			2,427	3,559
Public safety				1,160		7,726	8,886
Health						6,886	6,886
Transportation	16,141						16,141
Economic assistance and opportunity						45,439	45,439
Culture and recreation							
Education						711	711
Home and community services		12,933			3,743	423	17,099
Debt service:							
Principal retirement						5	5
Total expenditures	16,141	12,933	1,132	1,160	3,743	63,617	98,726
Excess (deficiency) of revenues over expenditures	(7,496)	11,368	63	(2)	0	(2,508)	1,425
Other financing sources (uses):							
Sale of property	1						1
Operating transfers in	10,325					2,508	12,833
Operating transfers out	(4,569)	(4,967)		(59)			(9,595)
Total other financing sources (uses)	5,757	(4,967)	0	(59)	0	2,508	3,239
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,739)	6,401	63	(61)	0	0	4,664
Fund balances at beginning of year	4,986	10,748	31	321		1,221	17,307
Fund balances at end of nine months	\$ 3,247	\$ 17,149	\$ 94	\$ 260	\$ 0	\$ 1,221	\$ 21,971

ENTERPRISE FUNDS

These funds are used to account for ongoing organizations or activities which are similar to those found in the private sector. Operations are financed and operated in a manner similar to private business enterprises - where the intent of the County is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. These funds include the Erie County Medical Center Enterprise Fund and the Erie County Home Enterprise Fund.

- **Erie County Medical Center Enterprise Fund**

Used to account for the operations of a comprehensive primary health care center serving Erie County and the Western New York region.

- **Erie County Home Enterprise Fund**

Used to account for the operations of the Home, which provides nursing home care for eligible individuals.

