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County of Erie

NANCY A. NAPLES
COMPTROLLER

January 6, 1999

Ms. Laurie Manzella
Clerk of the Legislature
Erie County Legislature
25 Delaware Avenue
Buffalo, New York 14202

Dear Ms. Manzella:

Enclosed are three copies of the County of Erie Federal Financial Assistance audit report for the year ended December 31, 1997. This report is required by the federal Single Audit Act of 1984.

Copies of this report have been filed with the New York State Comptroller, the New York State Department of Social Services, and the Federal clearinghouse, as well as numerous state agencies.

Please see that the enclosed reports are distributed as follows:

- One copy is to be filed with the Legislature.

- Two copies are for use by the Chiefs of Staff to the Majority and Minority.

Thank you.

Very truly yours,

Nancy A Naples

NANCY A. NAPLES
County Comptroller

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ERIE COUNTY OFFICE BUILDING, 95 FRANKLIN STREET, BUFFALO, NEW YORK 14202 - PHONE: (716) 858-8400 - FAX: (716) 858-8507

Deloitte & Touche LLP

MS LAURIE MANZELLA
CLERK OF THE LEGISLATURE
ERIE COUNTY LEGISLATURE
25 DELAWARE AVE
BUFFALO NY 14202

County of Erie, New York

Federal Financial Assistance Year Ended December 31, 1997 and Independent Auditors' Report

Deloitte Touche Tohmatsu International

COUNTY OF ERIE, NEW YORK

TABLE OF CONTENTS

Deloitte & Touche

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of County of Erie, New York as of December 31, 1997, and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of County of Erie, New York. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of Erie Community College, which are shown as a separate presentation entitled Community College. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for Community College, is based solely on the report on the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, such general purpose financial statements present fairly, in all material respects, the financial position of County of Erie, New York as of December 31, 1997, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statement of County of Erie, New York, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. This schedule is the responsibility of the management of County of Erie, New York. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

Deloitte Touche
Tohmatsu

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 1998, on our consideration of County of Erie, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Deloitte & Touche LLP

June 18, 1998

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COUNTY OF ERIE, NEW YORK

Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Unit

December 31, 1997

(amounts expressed in thousands)

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Community College	Totals (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Debt	August 31, 1997	Primary Government	Library	Reporting Entity
Liabilities, equity and other credits												
Liabilities:												
Accounts payable	$ 8,201	$ 3,748	$	$ 3,794	$ 15,149	$	$	$	$ 1,176	$ 32,068	$ 589	$ 32,657
Accrued liabilities	101,919	5,990	56		11,529				5,887	125,381	374	125,755
Due to other funds	1,916	14,406		13,147	296	25,317			959	56,041		56,041
Due to component unit				5						5		5
Due to other governments	16,830					17,394				34,224		34,224
Retained percentages	3	4		1,613						1,620		1,620
Amounts held in custody for others					751	119,574				120,325		120,325
Deferred revenue	55,917	18,179			279				5,871	80,246	391	80,637
Short-term debt	49,280			775	30,720					80,775		80,775
Advances from General Fund					9,248					9,248		9,248
Bonds payable					46,417			214,100		260,517		260,517
Other long-term obligations					24,890			45,404		70,294	2,101	72,395
Total liabilities	234,066	42,327	56	19,334	139,279	162,285	0	259,504	13,893	870,744	3,455	874,199
Equity and other credits:												
Investment in fixed assets							551,732		16,393	568,125		568,125
Contributed capital					12,228					12,228		12,228
Retained earnings:												
Reserved for debt service					631					631		631
Unreserved					14,254					14,254		14,254
Fund balances:												
Reserved for encumbrances	22,861	1,763		14,218					1,818	40,660	558	41,218
Reserved for advances to Enterprise Funds	9,248									9,248		9,248
Reserved for debt service			13,084							13,084		13,084
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	28,270	4,340	12,500						345	45,455	711	46,166
Designated for property tax relief	9,950									9,950		9,950
Designated for contingencies	3,512									3,512	254	3,766
Undesignated	7,605	8,590		14,691					2,028	32,914	649	33,563
Total equity and other credits	102,150	17,307	25,584	28,909	27,113	0	551,732	0	20,584	773,379	2,172	775,551
Total liabilities, equity and other credits	$ 336,216	$ 59,634	$ 25,640	$48,243	$ 166,392	$ 162,285	$ 551,732	$ 259,504	$34,477	$ 1,644,123	$ 5,627	$ 1,649,750

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
For the fiscal year ended December 31, 1997
(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			11,042	16,449	27,491		27,491
Payments to refunded bond escrow agent			(11,003)		(11,003)		(11,003)
Sale of property	107	3			110	98	208
Operating transfers in	40,471	20,628	36,953	11,704	109,756		109,756
Operating transfers from component unit			567		567		567
Operating transfers from primary government						21	21
Operating transfers out	(79,638)	(12,697)		(625)	(92,960)		(92,960)
Operating transfers to primary government						(567)	(567)
Operating transfers to component unit	(21)				(21)		(21)
Total other financing sources (uses)	(39,081)	7,934	37,559	27,528	33,940	(448)	33,492
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	19,751	278	3,896	(2,281)	21,644	773	22,417
Fund balances at beginning of year	82,399	17,029	20,603	32,370	152,401	1,399	153,800
Residual equity transfers			1,085	(1,180)	(95)		(95)
Fund balances at end of year	$ 102,150	$ 17,307	$ 25,584	$ 28,909	$ 173,950	$ 2,172	$ 176,122

See accompanying notes to general purpose financial statements.

...nues, Expenditures and Changes in Fund Balances -
Budget and Actual - Budgetary Basis (Note I (D)) -
General Fund, Special Revenue Funds and Debt Service Fund
For the fiscal year ended December 31, 1997
(amounts expressed in thousands)

	General Fund			Special Revenue Funds			Debt Service Fund		
	Budget	Budgetary Actual	Variance Favorable (Unfavorable)	Budget	Budgetary Actual	Variance Favorable (Unfavorable)	Budget	Budgetary Actual	Variance Favorable (Unfavorable)
Other financing sources (uses):									
Proceeds of general obligation debt							11,043	11,042	(1)
Payment to refunded bond escrow agent							(11,004)	(11,003)	1
Sale of property	60	107	47	3	2	(1)			
Operating transfers in	40,471	40,471		13,297	13,297		23,413	36,953	13,540
Operating transfers from component unit							567	567	
Operating transfers out	(92,132)	(90,885)	1,247	(13,096)	(12,697)	399			
Operating transfers to component unit	(21)	(21)							
Total other financing sources (uses)	(51,622)	(50,328)	1,294	204	602	398	24,019	37,559	13,540
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	$ (42,294)	$ (3,110)	$ 39,184	$ (6,671)	$ (1,372)	$ 5,299	$ (10,307)	$ 3,896	$ 14,203

See accompanying notes to general purpose financial statements.

COUNTY OF ERIE, NEW YORK
Combining Statement of Cash Flows -
All Enterprise Funds
For the fiscal year ended December 31, 1997
(amounts expressed in thousands)

	Medical Center	Nursing Home	Total
Cash flows from operating activities:			
Operating income (loss)	$ (669)	$ 29,157	$ 28,488
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	9,726	1,059	10,785
Provision for bad debts	2,566	156	2,722
Change in:			
Accounts receivable	(4,693)	(2,134)	(6,827)
Due from other funds	238	(296)	(58)
Inventory	(387)	(39)	(426)
Other assets	197	89	286
Accounts payable	(823)	688	(135)
Accrued liabilities (net of interest)	736	240	976
Due to other funds	296	(238)	58
Estimated claims and contingencies	(6,984)	299	(6,685)
Other long-term liabilities	236	88	324
Interest used for noncapital financing activities	1,896	242	2,138
Interest used for capital and related financing activities	2,021	269	2,290
Net cash provided by operating activities	4,356	29,580	33,936
Cash flows from noncapital financing activities:			
Operating transfers in	10,857	1,718	12,575
Operating transfers out	(9,746)	(30,725)	(40,471)
Advances from (to) other funds	2,943	312	3,255
Borrowings under revenue anticipation note arrangement	30,720		30,720
Principal paid on revenue anticipation note arrangement	(22,940)		(22,940)
Interest paid on revenue anticipation note arrangement	(2,755)	(179)	(2,934)
Interest paid on retirement debt	(475)	(90)	(565)
Net cash provided (used) by noncapital financing activities	8,604	(28,964)	(20,360)

(Continued)

COUNTY OF ERIE, NEW YORK
Statement of Changes in Fund Balances - All Funds
Community College
For the fiscal year ended August 31, 1997
(amounts expressed in thousands)

	Current Funds		Plant Fund	Total
	Unrestricted	Restricted	Investment in Plant	(Memorandum Only)
Revenues and other additions:				
Educational and general revenues	$ 46,768	$ 19,085	$	$ 65,853
Expended for plant facilities from current funds			994	994
Private gifts, grants, and contracts-restricted			234	234
Total revenues and other additions	46,768	19,085	1,228	67,081
Expenditures and other deductions:				
Educational and general expenditures	56,460	19,085		75,545
Retirement of plant facilities			273	273
Total expenditures and other deductions	56,460	19,085	273	75,818
Other transfers and additions:				
Operating transfers in	10,975			10,975
Net increase in fund balances	1,283	0	955	2,238
Fund balance September 1, 1996	2,908		15,438	18,346
Fund balance August 31, 1997	$ 4,191	$ 0	$ 16,393	$ 20,584

See accompanying notes to general purpose financial statements

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, Aid to Dependent Children, and Home Relief. 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 Library is included as a component unit of the County in the financial statements, based

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

General Fund - the principal operating fund which includes all operations not required to be recorded in other funds.

Special Revenue Funds - used to account for the proceeds of various revenue sources that are legally restricted to expenditures for specified non-capital purposes.

Debt Service Funds - 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 - used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the enterprise funds).

b. Proprietary Funds - used to account for ongoing organizations or activities which are similar to those found in the private sector. The proprietary fund measurement focus is on determination of net income, financial position, and changes in financial position. The following proprietary fund type is utilized:

Enterprise Funds - used to account for operations which provide goods or services to the general public.

c. Fiduciary Funds - 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.

2. ACCOUNT GROUPS are used to establish accounting control and accountability for general fixed assets and general long-term debt. The two account groups are not "funds." They are concerned with measurement of financial position and not results of operations. They are accounting records relating to general fixed assets and general long-term liabilities, and certain associated information.

General Fixed Assets Account Group - used to account for land, buildings, improvements other than buildings, and equipment utilized for general government purposes, except those fixed assets accounted for in proprietary

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. COMMUNITY COLLEGE (Concluded)

A summary of the College's accrued retirement liability (which is further described in Note VIII) is as follows:

(000s omitted)

	Employees' Retirement System	Teachers' Retirement System	TIAA/ CREF	Total
Retirement liability outstanding at fiscal year end	$ 681	$ 667	$ 102	$ 1,450
Less: Current maturities	578	437	102	1,117
	$ 103	$ 230	$ 0	$ 333

The County sponsorship share of support to the College for the College fiscal year ended August 31, 1997 was approximately $10.975 million, and is reported as an operating transfer to the College in the County's General Fund.

4. 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 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.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus is the determination of what is measured, (i.e., expenditures or expenses).

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting (Concluded)

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

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 Erie Community 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; 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 and the Erie County Home Enterprise Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (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 Revenue 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 and the Erie County Home Enterprise Funds, 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.

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

No depreciation has been provided for on general fixed assets, nor has interest on general fixed assets construction in progress been capitalized.

2. Proprietary Fund Type Property, Plant and Equipment

Property, plant and equipment acquired by the proprietary fund is stated at cost or estimated historical cost. Contributed fixed assets are recorded at fair market value at the date received. Depreciation has generally been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Land Improvements	5 - 25 years
Buildings	15 - 40 years
Fixed Equipment	10 - 25 years
Movable Equipment	4 - 20 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 proprietary fund 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. 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.

J. 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

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Insurance (Concluded)

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.

M. 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.

N. Contributed Capital

Proprietary fund type contributed capital is recorded at the fair market value of the related assets at the date received. Depreciation on contributed fixed assets is allocated to contributed capital using the straight-line method over the same lives as described for the related property, plant and equipment.

O. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, which is administered by an independent plan administrator under a contract with the County, is available to all County employees, and permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all revenue attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County, subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Reserves and Designations (Concluded)

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.

R. 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 an eligible employee's group health and 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 retiree, should they choose to continue coverage. The retiree may continue group health insurance coverage, with the County contributing 50% of the base cost for active employees. Base cost is computed each year by averaging the monthly premiums under the two least expensive insurance plans offered to employees for either individual or family coverage, as appropriate for the retiree involved. The participant is required to contribute the difference between the County contribution and the total monthly premium for their selected carrier. The cost to the retiree can vary widely depending upon the insurance plan and specific class of coverage involved, and is normally deducted directly from their monthly state retirement check.

The cost of retiree group health and dental insurance benefits is recognized as an expenditure/expense based on premiums paid during the year. During 1997, $5,190,436 was paid by the County on behalf of 3,812 eligible retirees.

S. 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.

II - REPORTING ON BUDGETARY BASIS (Concluded)

Budgetary control of the General Fund; the Road, Sewer, Downtown Mall and E-911 Special Revenue Funds; and the Debt Service Fund is minimally exercised at the department and account level. Budgetary control for the Erie County Medical Center and the Erie County Home Enterprise Funds is exercised through use of a fund level budget. Except in the case of the Erie County Home where expenses exceeded the fund level budget by $.161 million, there were no excesses of expenditures/expenses over appropriations at the established control level for these funds.

III - CASH AND INVESTMENTS

Available cash of the County and the Erie Community College 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 and the College deposit 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. 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 New York State. 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 deposits of the College were fully collateralized at August 31, 1997.

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

(000s omitted)

	County at 12/31/97	College at 8/31/97	Totals Primary Government	Library Component Unit at 12/31/97	Totals Reporting Entity
Petty Cash	$ 130	$ 2	$ 132	$ 8	$ 140
Cash in Banks	(5,648)	16,096	10,448	3,136	13,584
Investments	261,459	0	261,459		261,459
	$255,941	$16,098	$272,039	$3,144	$275,183

IV - RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments include:

(000s omitted)

	Enterprise Funds	Community College	Total
Construction	$ 9,369	$	$ 9,369
Debt Service	631		631
Educational Grants		231	231
	$ 10,000	$ 231	$ 10,231

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.

Amounts restricted for educational grants represent unused portions of funds received by the College from grantors which can only be used for designated purposes.

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% 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.

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% 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 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% prior to March 16 unless waived, 5% prior to May 1, and 1% 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.

VII - FIXED ASSETS

A. General Fixed Assets

A summary of changes in general fixed assets follows:

(000s omitted)

	Balance 1-1-97	Additions	Disposals	Balance 12-31-97
Land	$ 18,158	$ 177	$	$ 18,335
Buildings (Including Capital Lease of $1,639)	395,956	6,444		402,400
Improvements	6,807	1,141		7,948
Machinery and Equipment	118,677	4,457	85	123,049
	$539,598	$12,219	$ 85	$551,732

The sources of investment in general fixed assets are:

(000s omitted)

	Balance 1-1-97	Additions	Disposals	Balance 12-31-97
Borrowings	$273,676	$ 5,061	$	$278,737
Current Appropriations	115,923	5,044	85	120,882
Donations	11,747	34		11,781
Grants	136,468	2,070		138,538
Other	1,784	10		1,794
	$539,598	$12,219	$ 85	$551,732

B. Community College Fixed Assets

A summary of changes in fixed assets for the Community College follows:

(000s omitted)

	Balance 9-1-96	Additions	Disposals	Private Gifts	Balance 8-31-97
Machinery and Equipment	$ 15,438	$ 994	$ 273	$ 234	$16,393

VIII - RETIREMENT PLANS (Continued)

A. County Plan (Continued)

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 current year and two preceding years were:

	Contribution Amount	
Year	County	Component Unit
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 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 fiscal year was $20,704,275, of which $5,890,259 and $13,859,624 is reported in the proprietary funds and the general long-term debt account group of the primary government, respectively, and $954,392 is reported by the Library component unit in its long-term debt account group.

Pursuant to Chapter 178 of the Laws of 1991, Chapter 643 of the Laws of 1992, Chapter 12 of the Laws of 1995, Chapter 30 of the Laws of 1996, and Chapter 41 of the Laws of 1997, the State Legislature authorized local governments to make available

VIII - RETIREMENT PLANS (Concluded)

B. Community College Retirement Plans (Concluded)

Contributions equal to 3% of salary are required of employees, except for those persons who joined the Systems 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.

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

Year	TRS	ERS
1997	$736,624	$1,630,645
1996	802,447	413,123
1995	895,009	196,366

Community College employer contributions made to the Systems were equal to 100% of the contributions required for each year.

Retirement incentive programs were offered to College employees who are members of ERS and 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, and Chapter 41 of the Laws of 1997. The estimated total cost to the College for those programs that have not been paid in full as of August 31, 1997 is an estimated $697,000, of which $1,349 was charged to expenditures 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.