

**COUNTY OF
ERIE,
PENNSYLVANIA**

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

**FOR THE YEAR ENDING
DECEMBER 31, 2010**

**Presented By:
Erie County Finance Department**

COUNTY OF ERIE, PENNSYLVANIA
Comprehensive Annual Financial Report
For the Year Ended December 31, 2010

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JAMES R SPARBER
FINANCE DIRECTOR

SUE ELLEN PASQUALE
MANAGER OF ACCOUNTING

Barry Grossman, County Executive

June 17, 2011

Members of County Council and
Citizens of Erie County

Ladies and Gentlemen:

Both state law and Article V, Section 5d(7) of the Home Rule Charter require that within six months of the close of each year, a complete set of financial statements be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to this requirement, I hereby issue the comprehensive annual financial report of the County of Erie for the fiscal year ended December 31, 2010.

This report consists of management's representations concerning the finances of the County of Erie. Consequently, management assumes full responsibility for the completeness and the reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County of Erie has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the County of Erie's financial statements in conformity with GAAP. Because the cost of internal control should not outweigh their benefits, the County of Erie's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Management asserts that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. This report is designed to provide information to various users including the tax payers of Erie County, investors, creditors, government officials and the general public. Its intent is to describe the County's financial position and the financial results of its operations as of and for the year ended December 31, 2010.

Zelenkofske Axelrod LLC., a firm of licensed certified public accountants, has audited the County of Erie's financial statements. The goal of an independent audit is to provide reasonable assurance that the financial statements of the County of Erie are free from material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County of Erie's financial statements for the fiscal year ended December 31, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County of Erie was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grant agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County of Erie’s separately issued Single Audit Report.

Governmental Accounting Standards Board Statement No. 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County of Erie’s MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

County of Erie, Pennsylvania

The County of Erie, incorporated in 1803, is one of 67 counties in the Commonwealth of Pennsylvania; it occupies the northwest corner of the State, adjacent to Ohio, New York and Lake Erie. Within the County is the City of Erie, the County seat and the fourth largest city in Pennsylvania, as well as 37 other municipalities. Erie County’s 280,566 residents live within its 812 miles.

The County of Erie is a third class county. The County is governed under a Home Rule Charter, which took effect in 1978, and provides for a County Executive elected at large to a four year term to perform the executive functions of government. The Home Rule Charter of the County of Erie also requires the adoption of an Administrative Code which details the administration and operation of the County. A part-time County Council is elected from seven districts within the County and serves as the legislative branch of government. The judicial branch of County government, the Court of Common Pleas, is comprised of nine elected judges and is part of the unified judicial system legislated by the Pennsylvania Constitution. The organization of the County is more fully described in the chart that follows this transmittal.

For financial reporting purposes, the County of Erie, Pennsylvania includes all funds and account groups that are controlled by or dependent on the County. Control by or dependence on the County was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligation of the County, obligation of the County to finance any deficits that may occur or receipt of significant subsidies from the County.

Reporting Entity

Statement of Government Accounting Standards No. 39, “*Determining Whether Certain Organizations Are Component Units*”, an amendment for GASB Statement No.14, “*The Financial Reporting Entity*”, establishes the standards for defining and reporting on the financial reporting entity. The primary government is the core or the nucleus of the financial reporting entity. For this report, the County is considered the primary government.

In accordance with generally accepted accounting principles, the financial statements of the County’s discrete component units are included in this report because of the significance of their operational or financial relationships with the County. A component unit is a legally separate entity that meets one or

more of the following criteria; the primary government appoints the majority of the board and is able to impose its will in the component unit or is in a relationship of financial benefit or burden with the component unit, the component unit is fiscally dependent on the primary government, or the financial statements of the primary government would be misleading without the component unit. Pleasant Ridge Manor and the Erie County Gaming Revenue Authority (ECGRA) are discreetly presented component units and Erie County Care Management is a blended special revenue fund component unit in this report. Pleasant Ridge Manor, the County's nursing home, provides both short term rehabilitation and long term care for chronically ill and elderly residents. ECGRA administers the restricted gaming revenue Erie County received from the operation of a casino located in the county. Erie County Care Management provides services to Medicare eligible clients of the County's MHMR, Drug and Alcohol and Children & Youth clients. It is included in the County's non-major special revenue funds.

Countywide Services

The County has adopted a mission statement in its Three-Year Plan which broadly describes the services it provides:

- 1 To operate as agents of the Commonwealth of Pennsylvania in the administration of justice, maintenance of public records, and conduct of elections and assistance to veterans.
- 2 To carry out, in partnership with the State, human service programs providing protection to our children, assistance to the mentally ill and mentally retarded, programs to address substance abuse, to provide support to our senior citizens, long-term care for our medically indigent, protection of the environment and public health of our community, library and information services to our residents, job training and day care for our underemployed and transportation to our citizens.
- 3 To administer State and Federal grants for programs designed to improve the health, welfare and economic opportunity of our residents.
- 4 To assist our townships, cities and boroughs in planning, economic development, and providing municipal services.
- 5 To work with community partners to promote job growth and the well-being of residents of Erie County.
- 6 To fulfill our responsibility to our taxpayers by fairly reporting the County's financial condition, honestly appraising the costs of our programs, seeking the most economical strategies in maintaining services and avoiding attempts to burden the future with today's costs.

County Programs are categorized in four broad classes: General Government, Courts and Related Offices, Corrections and Community Services. The principal programs in each class include:

General Government

Offices of the County Executive, County Council and the County Controller
Offices of Voter Registration, Conduct of Elections, and Human Relations Commission
Central Support services departments under the County Executives appointees: the County Solicitor and the Directors of Administration, Personnel and Finance

Courts and Related Offices

The Sixth Judicial District of Pennsylvania (nine Judges of the Court of Common Pleas)
Fifteen District Justices
Offices of the Clerk of Records, Sheriff, District Attorney, Coroner and Public Defender
Offices of Domestic Relations (Support Enforcement)

Corrections

Adult Probation and Juvenile Probation Departments
Department of Corrections (Erie County Prison)
Juvenile Detention Center and other delinquent child institutional treatment

Community Services

Department of Human Services, which operates the County's Mental Health / Mental Retardation, Children and Youth Services, Drug and Alcohol Abuse, Health Choices
Erie County Care Management Inc.
Department of Public Health
The Erie County Library System
Erie County Pleasant Ridge Manor
Office of Veterans Affairs
Erie County Gaming Fund
Department of Planning
Grants to Community Organizations
Liquid Fuels
Erie County's Public Safety Programs, Emergency-911 Program and Emergency Management

Internal Control

The County's internal accounting control system is a comprehensive framework that provides employees and taxpayers with assurances that the assets of the government are reasonably safeguarded against loss and are recorded properly. Internal controls also provide assurance that the financial statements are reliable and prepared in compliance with generally accepted accounting principles. Because the cost of the internal controls should never outweigh the benefits derived from the internal controls, the County's controls have been designed to provide reasonable rather than absolute assurance the financial statements will be free from material misstatement.

The Finance Department is responsible for creating and maintaining the accounting system for the County, as well as preparing and monitoring the annual budget. The Controller's office has the post – audit function.

Budget

The annual budget serves as the foundation for the County of Erie's financial planning and control. The budget process starts with the development of the County's Three Year Plan, which forecasts anticipated financial needs and outlines potential changes in services over the next three year period as well as projects the results of operations of the current budget period. Later in the year, all county departments receive a budget package including the administration's preliminary next year's budget, the current year's original and current budget, current six month activity, and historical activity, and current and next year's wages and fringes for each employee. The department must update its projected current year's revenue and expenditures, and justify any proposed changes to the preliminary budget. The administration holds budget meetings with each department. On or before October 1st of each year, the administration submits

a balanced budget to County Council. Council then holds additional budget meetings with departments and officials from the administration. After holding public meetings on the budget, County Council must adopt a balanced budget on or before December 1st. The appropriated budget is prepared by fund and by department. Departments may transfer up to ten percent of appropriations within their department with the approval of the Finance Director. County Council must approve all other transfers, supplemental appropriations, and revised revenue and expense requests. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Reassessment

The County has committed to a countywide reassessment cycle. The County has decided to take advantage of the new technology and perform the current reassessment with county staff instead of hiring a consulting firm. It is anticipated that notices will be sent out in 2011 to all property owners to verify data characteristics of their property. Values will be set and appeals heard in 2012. Any changes in value will be effective in 2013.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the County of Erie operates.

Local Economy:

Like most communities, Erie County has been affected by the economic recession of 2008 and 2009. Erie County reached a ten year unemployment rate of 10.9 % in January of 2010. Fortunately, the local economy is improving. Unemployment was 9.40% in January of 2011 and has dropped again to 8.5% in March of 2011.

The area's largest employer, General Electric hired back over 800 employees and plans on adding an additional 250 jobs in 2011 as locomotive sales have improved. Manufacturing is responsible for 24.80 percent of all income in Erie County.

Health Care is the second largest industry in Erie County, accounting for 15.84% of all Erie income in 2008. During 2010, Hamot Hospital, one of three local hospitals, was sold to University of Pittsburgh Medical Center (UPMC) and became UPMC Hamot. The deal strengthened the financial condition of the hospital by infusing \$100 million into the hospital.

Two of the local hospitals commenced major expansion plans. UPMC Hamot, the second largest employer in the county, opened a 165,000 square foot, five stories, Women's Hospital in January 2011. The County assisted this project by approving a low interest \$15 million loan from the Hospital Authority. Likewise a \$100 million low interest loan was approved by the Hospital Authority for the construction of a three story building for St. Vincent Hospital. The building will house emergency room service and add operating rooms, as well as refund prior debt.

With the passage of table game legislation, the local casino, Presque Isle Downs Track and Casino added new jobs in 2010. The race track and slot machine casino employees number 1,075 in 2010, up from about 700 jobs the previous year.

Erie County's Role in Assisting Economic Sustainability

In 2010 Erie County continued to strengthen its relationships with the complementary economic development agencies operating throughout Erie County by actively participating and contributing to the Economic Lead Team meetings and initiatives conducted by the Erie Regional Chamber and Growth Partnership (ERCGP). The "Lead Team" is a collaborative partnership involving the top executives of 14 economic and workforce development organizations. As a result of these collaborative partnerships and efforts, in April of 2011 the ERCGP launched the new and improved Business Action Team.

With the decision by the Pennsylvania Department of Community and Economic Development (DCED) to cease funding support of the Business Retention & Expansion Program (BREP) in July 2010, Erie County and Northwest Pennsylvania economic development were faced with decision regarding the future of the formal business outreach program. Both within Erie County and within the lead economic development agencies of seven other northwest Pennsylvania counties the decision was unanimous to continue outreach to our existing base of employers, to determine their needs and connect them to public and private resources that can help them grow, retain jobs and create jobs.

In the course of that sustained and extensive outreach, data analysis identified 60% of customer action plans (CAPs) centered upon workforce needs, training assistance and recruitment assistance. To respond to this demand more effectively, a partnership was formed in 2007 between Erie County Government and the RCWE/WIB to support two full-time Workforce Development Specialists at the Erie Regional Chamber and Growth Partnership.

To combat these high demands for workforce needs and training assistance it is critical to not only identify what jobs are available throughout the county, but also what skills are necessary to fill those open positions. The workforce development specialist at the ERCGP as members of the BAT team and in collaboration with the tools and resources provide by Erie County and other outreach partners, are actively performing "live" data entry. This data entry provides:

- an "automatic" customer action plan notification to specific individuals/agencies when particular needs are identified
- a prospect or start-up module to capture new business opportunities in the database
- a more detailed workforce development module
- a central "scorecard" for all services ultimately delivered to companies.

With this information; the ability to identify, evaluate and fulfill the needs of our business community has become more responsive and efficient, enabling Erie County and regional economic and workforce development agencies to be able to more effectively expand their services to Erie County.

Erie County has also maintained its support in the counties efforts for business attraction and expansion by providing funding and assistance to both the ERCGP's "Tap into Erie"; campaign to attract employers in need of a fresh water supply to the Erie community, and the North West Regional Planning and Development Commissions to help support the export trade specialist services provided to Erie County companies.

The Erie County Grant pays for a portion of the salary and fringe benefits of a full-time export trade specialist employed by the Northwest Commission and located in Erie County who provides international marketing and technical assistance to Erie County companies. The grant also supports training / initiatives throughout the year. The Northwest Commission is matching the Erie County Grant with funding from State and Federal sources. The full-time export trade specialist in Erie is part of the overall international

marketing program supported by the State and the Federal Government. Pennsylvania is leading in the nation with its export program. It supports exports by coordinating a number of trade development activities, including: industry sector trade initiatives, market intelligence and overseas in-country support for Pennsylvania firms in association with the Commonwealth's 23 overseas trade representatives. The Northwest Commission serves as the designated regional coordinator for the Commonwealth's International Marketing program, meaning that the Northwest Commission is the first point of contact for Northwest Pennsylvania companies who wish to enlist the international marketing services the Commonwealth can provide.

As a direct result of the assistance provided by the Northwest Commission's staff, the following performance measurements were accomplished for Erie County from 07/01/2009 – 06/30/2010:

- Erie County clients reported export sales of \$ 27,973,293.
- Staff provided export marketing assistance to 123 Erie County companies with a total of 1,238 counseling session.
- Staff of the Northwest Commission visited 66 Erie County companies.
- Eighteen (18) Market Access Grant applications were approved allocating a total of \$38,606 to 18 Erie County companies in order to support their international initiatives. (The MAG is designed to enhance the capability of small and mid-sized Pennsylvania companies to increase export sales, the MAG is a valuable tool available to qualifying companies seeking financial assistance and foreign market entry support.)
- Staff of the Northwest Commission participated in 30 Erie County regional and outreach events.

Long-term Financial Planning

The County Three Year Plan is a strategic tool used by the County to identify trends in services, funding requirements, as well as plan for capital projects. The County strives for level debt service. County Council allows the Finance Director to begin the process of refinancing debt if a present-value-economic gain of 3% is realized. The County is currently completing a storm water management project at the County Courthouse. The County is also working with Erie Regional Airport Authority to expand and rehabilitate the airport runway project which should be completed by the end of 2014. Likewise, the County is assisting the Erie County Convention Center to make necessary renovations to the Tullio Arena to retain local sports teams by committing \$10 million to leverage state funding.

The Board of Pleasant Ridge Manor, the county's nursing home, is contemplating the construction of a new facility that would consolidate the existing two facilities and offer more modern accommodations. The project has been estimated at approximately \$30 million which would be financed over a thirty year period.

The County received grants to enhance radio communications for all public safety agencies. The County is implementing a plan that would have all these agencies employ the same 800 MHz radio frequency. Several municipalities that dispatch their own calls have informed the County that they want the Public Safety Department to dispatch for them. Public Safety is developing a plan to bring in these agencies by the beginning of 2012.

Relevant Financial Policies

In 2004, County Council adopted Ordinance Number 169, establishing a policy that sets the level of the general fund's unrestricted fund balance. The general fund must maintain a minimum of one month's expenditures with a goal of up to two month's expenditures. An analysis of unrestricted fund balance is presented to Council at each finance committee meeting. This analysis indicates the level of unrestricted fund balance should all ordinances in front of Council pass. The County has maintained more than the minimal level of fund balance since the policy was adopted. The County has also planned for the adoption of GASB 54 which allocates fund balance into five categories and requires the County to increase the level of unassigned fund balance in the General Fund. The 2011 County budget included funds sufficient to maintain a General Fund unrestricted fund balance equal or greater than two months of operation.

As described in the Notes to the Financial Statements, the County has a pay-as-you go policy for the following:

- Self insured medical and dental benefits
- Accrued sick time
- Termination payments
- Post Employment Benefits Other than Pension Benefits

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Erie for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2009. This was the eighteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The Department of Finance relies on the cooperation and support of all elected officials and department heads, especially County Controller Sue Weber and her Deputy Bill Amick, who manage the County's internal audit programs. We rely heavily on the financial staff of various grant programs, especially Patrick Ryan, Anne Maries, Linda Jarzynka, and Darlene Miller who perform the accounting activities in the Department of Human Services, Eric McGrath of Erie County Care Management and Eileen Agresti, the Chief Financial Officer of Pleasant Ridge Manor.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the General Accounting Department, including Tracey Fugagli, Amy Powers, Mary Heintz, Melissa Plyler, Jennifer Fisher, Chelsey Ricketts, Karen Dorich, Jane Mehler, Dan DeCoursey, Rita Bishop and Steve Brown. Special thanks to Finance Director, Jim Sparber, Revenue Director, Steve Letzelter and Assessment Director, Scott Maas.

We are pleased to be able to present this information, which we believe to be vital to your financial planning and decision making.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sue Ellen Pasquale".

Sue Ellen Pasquale
Manager of Accounting

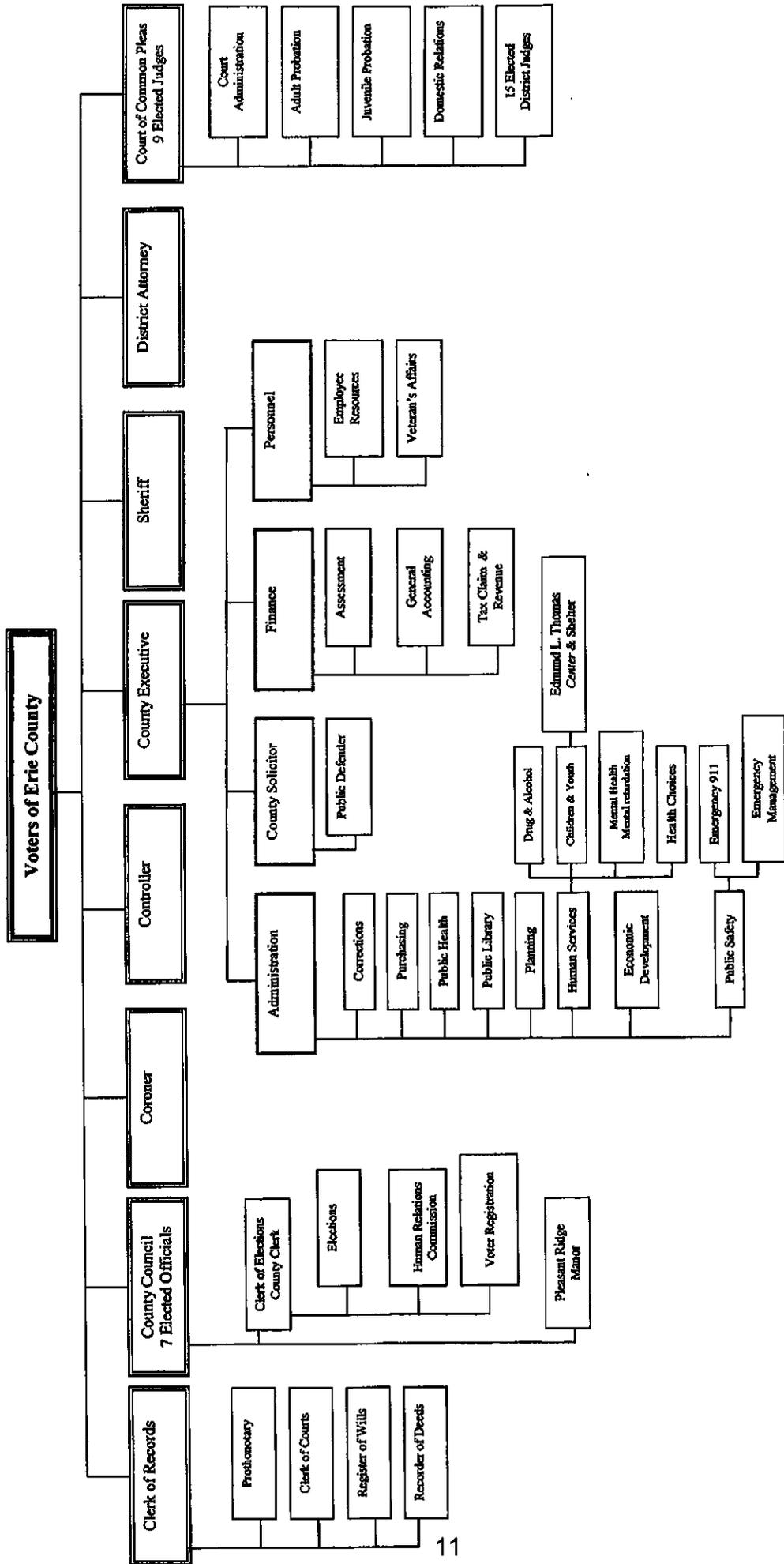
COUNTY OF ERIE, PENNSYLVANIA
List of Elected and Appointed Officials
December 31, 2010

County Executive	Barry Grossman
Council Members	Fiore A. Leone Joseph F. Giles Phil Fatica Whitey Cleaver Kyle W. Foust Ebert Beeman Carol J. Loll
County Controller	Sue Weber
District Attorney	John Daneri
Sheriff	Robert Merski
Coroner	Lyell P. Cook
Clerk of Records	Patrick Fetzner
Common Pleas Judges	William Cunningham John Garhart Shad Connelly Ernie DiSantis, Jr. Daniel Brabender Jr Stephanie Domitrovich Michael Dunlavey Elizabeth Kelly John Trucilla

APPOINTED OFFICIALS

Director of Administration	Gerald Mifsud
Director of Finance	James Sparber
Director of Personnel	Peter Callan
County Solicitor	Gary Shapira
Public Defender	Darrel Vandeveld

ERIE COUNTY GOVERNMENT ORGANIZATIONAL CHART



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Erie
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

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



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

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INDEPENDENT AUDITOR'S REPORT

The County's basic financial statements are audited each fiscal year by independent certified public accountants. The audits are conducted in accordance with generally accepted auditing standards.

The principal auditors' report on their examination of the County's basic financial statements is contained in this section.

Zelenkofske Axelrod LLC

Members of County Council
County of Erie
Erie, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the COUNTY OF ERIE, as of and for the year ended December 31, 2010, which collectively comprise the COUNTY OF ERIE's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the COUNTY OF ERIE's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Erie County Gaming Revenue Authority, which represents 49.8%, 62.5% and 26.4%, respectively, of the assets, net assets and revenues of the discretely presented Component Units. These financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Erie County Gaming Revenue Authority, is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of Pleasant Ridge Manor and Erie County Gaming Authority were not audited in accordance with Government Auditing Standards. 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 opinions.

In our opinion, based on our audit and the report of another auditor, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the COUNTY OF ERIE, as of December 31, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, in 2010 the COUNTY OF ERIE adopted the provisions of Governmental Accounting Standards Board's Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", No. 53 "Accounting and Financial Reporting of Derivative Instruments" and No. 58 "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

In accordance with *Government Auditing Standards*, we have also issued our reported dated June 17, 2011, on our consideration of the COUNTY OF ERIE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Zelenkofske Axelrod LLC

Members of County Council
County of Erie
Erie, Pennsylvania

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer contributions and funding progress, schedule of funding progress for postemployment benefits other than pensions and budgetary comparison information on pages 19 through 33; 98; 99; and 100 through 106 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the COUNTY OF ERIE's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of the other auditor, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections 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 or provide any assurance on them.

ZELENKOFKSKE AXELROD LLC



Pittsburgh, Pennsylvania
June 17, 2011

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Management's Discussion and Analysis

As management of the County of Erie, we offer readers of the County of Erie's financial statements this narrative overview and analysis of the financial activities of the County of Erie for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and notes to the financial statements in order to obtain a thorough understanding of the County of Erie's financial condition at December 31, 2010. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

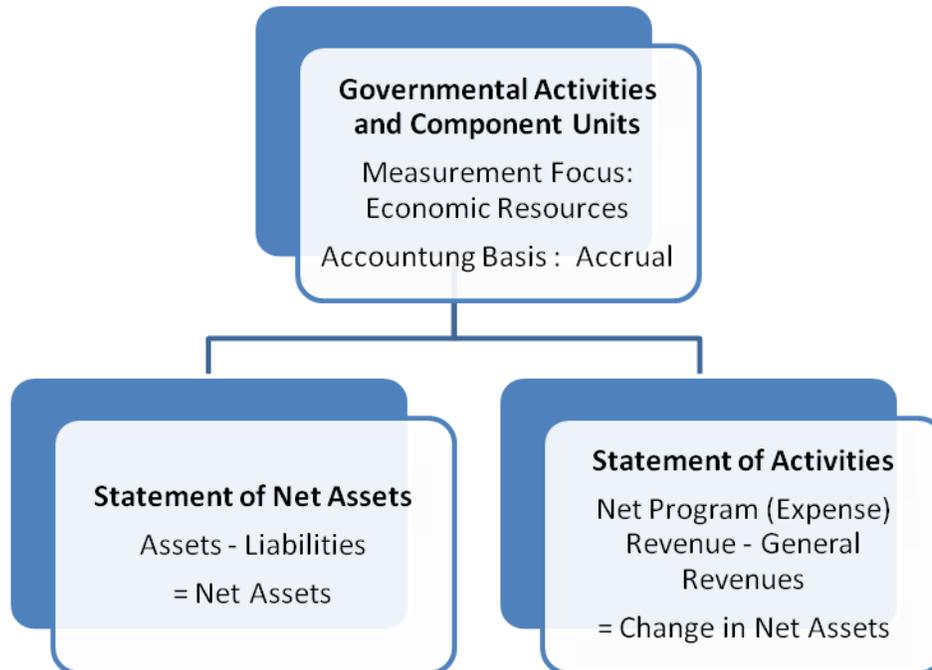
- Assets of the County of Erie exceed liabilities at December 31, 2010 by \$40,410,049 (net assets). Of this amount, \$24,512,760 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$1,774,277. This decrease is primarily due to a \$4.4 million decrease in capital assets net of depreciation.
- As of the close of the current fiscal year, the County of Erie's governmental funds reported combined ending fund balances of \$82,218,507, an increase of \$214,630 in comparison with the prior year. The most significant changes are an increase in the fund balance of the General Fund in the amount of \$8.6 million primarily due to a decrease in transfers to Children & Youth Services, a decrease of \$3.9 million in Capital Projects Fund as projects either progressed or were completed, and a decrease of \$6.2 million in Gaming Fund due to the resolution of lawsuit regarding the restricted gaming funds.
- The County's real property tax rate increased from 5.45 to 6.05 mills as operating expenses increased more than federal and state grants that fund many mandated services.
- The County's investment bond rating from Standard and Poor's remained at AA-. This rate was last affirmed in August of 2009.
- At December 31, 2010, the County of Erie had \$88,795,000 of bonds outstanding. This represents a decrease of \$4,955,000 (5.3%) due to scheduled principal payments on debt. No new debt was issued in 2010.
- The total fund balance of the General Fund at December 31, 2010 was \$31,036,874. The unreserved/undesignated portion of the fund balance was \$17,770,303 which is approximately 29.1% of expenditures in the General Fund for the fiscal year 2010. The unreserved/undesignated fund balance increased \$8 million in 2010.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County of Erie's basic financial statements. The County of Erie's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the County of Erie's finances in a manner similar to private-sector business.

Government –wide Financial Statements



The *statement of net assets* presents information on all of the County of Erie’s 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 of Erie is improving or deteriorating.

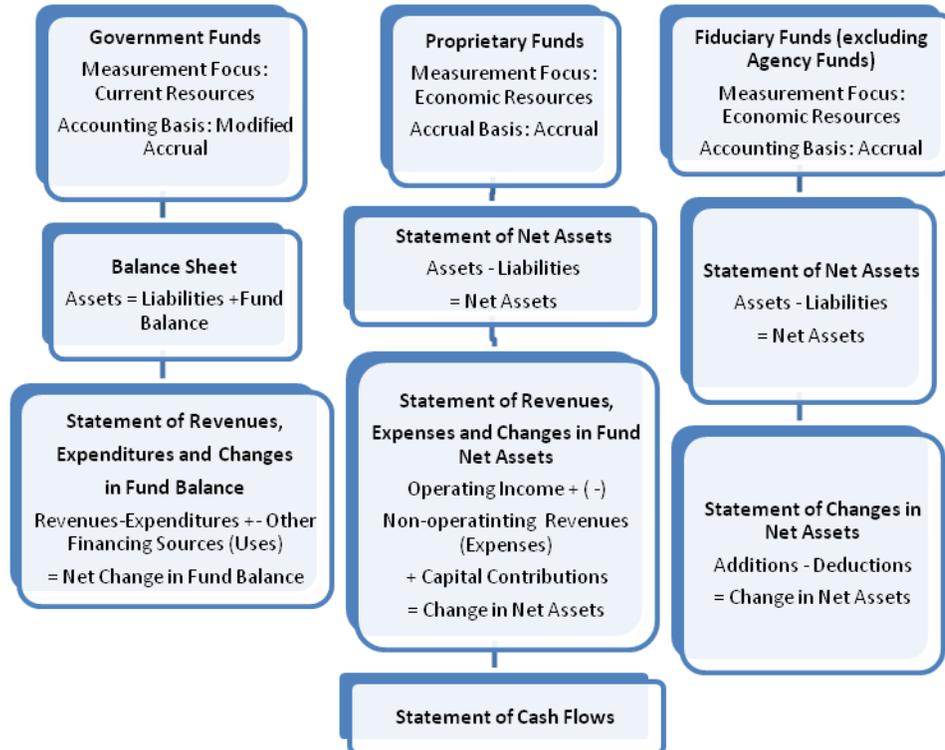
The *statement of activities* presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues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

Both of the government-wide financial statements distinguish functions of the County of Erie that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the County of Erie include general government, courts and related offices, corrections, community services, public health, public works and library services. The County does not have any business-type activities.

The government-wide financial statements include not only the County of Erie itself (*known as the primary government*), but also Pleasant Ridge Manor, a legally separate nursing home for indigent residents, and Pleasant Ridge Manor Pension Trust, the legally separate pension fund of the nursing home for which the County of Erie are financially accountable. Erie County Gaming Revenue Authority (ECGRA) is also a component unit. ECGRA was created by the County to disburse restricted gaming funds to the community in accordance with state law. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The statements also include Erie County Care Management Fund, a blended special revenue component unit that administers and provides managed care services.

Fund financial statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Erie, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County of Erie can be divided into two categories: governmental funds and fiduciary funds.

Fund Financial Statements



Governmental 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 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 government'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 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County of Erie maintains thirteen individual governmental funds, as well as a capital projects fund and a debt service fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Capital Projects Fund, Mental Health Mental Retardation Fund, Children and Youth Fund, Gaming Fund, and Health Choices Fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County of Erie adopts an annual appropriated budget for all governmental funds except the Capital Projects Fund. A budgetary comparison statement for each individual fund has been provided to demonstrate compliance with this budget. Budgetary control for the activities of the Capital Projects Fund is achieved through general obligation bond indenture provisions, contractual agreements, and restrictive terms of the grants received.

Proprietary funds - In 2006, the County of Erie created an internal service fund. An *internal service fund* is an accounting device used to accumulate and allocate costs internally among the County of Erie's various functions. The County uses an internal service fund to account for the costs of employee fringe benefits, primarily the self-funded medical and dental programs. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds – 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 statement because the resources of those funds are *not* available to support the County of Erie's own programs. The notes to the financial statements include the *statement of fiduciary net assets*, which reports the assets and liabilities of the County's retirement trust fund, combined agency funds, and the component unit, Pleasant Ridge Manor's pension trust. A *combining statement of fiduciary net assets*, which provides a detail of all agency funds, can also be found in this report. Finally, the *statement of changes in fiduciary net assets* for both pension trusts is provided.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the basic financial statement tab.

The combining statements referred to earlier in connection with non-major governmental funds and fiduciary agency funds are presented immediately following the notes to the financial statements.

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 of Erie, assets exceeded liabilities by \$40,410,049 at December 31, 2010. A substantial portion of net assets, \$24,512,760 or 60.7 percent, is unrestricted and may be used to meet the county's ongoing obligations to citizens and creditors.

Approximately (-19.6%) or \$(7,891,335), of net assets reflects the County's investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The County of Erie uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County of Erie's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Statement of Net Assets
December 31, 2010
With Comparative Totals for December 31, 2009

	Governmental Activities	
	2010	2009
Current and other assets	\$129,333,648	\$134,864,376
Capital assets	56,541,955	61,345,572
Total assets	185,875,603	196,209,948
Long-term liabilities outstanding	101,281,200	103,422,111
Other Liabilities	44,184,354	50,603,511
Total liabilities	145,465,554	154,025,622
Net assets:		
Invested in capital assets, net of related debt	(7,891,335)	(4,386,397)
Restricted	23,788,624	30,370,707
Unrestricted	24,512,760	16,200,016
Total net assets	\$40,410,049	\$42,184,326

The remaining portion of the County of Erie's net assets, 58.9% or \$23,788,624, represents resources that are subject to external restrictions on how they may be used. Restricted net assets have decreased \$6,582,083 from the previous year primarily due to restricted gaming revenue. A detail of the restricted net assets can be found on the face of the statement of net assets. The remaining balance of unrestricted net assets, \$24,512,760, or 60.7%, may be used to meet the government's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the County of Erie is able to report positive balances in two of the three categories of net assets. The investment of capital assets has a negative balance because a large portion of the county's capital assets, especially furniture and equipment, are fully depreciated. The county does not have a policy to replace depreciated capital assets.

County of Erie - Change in Net Assets
Year Ended December 31, 2010
With Comparative Amounts for December 31, 2009

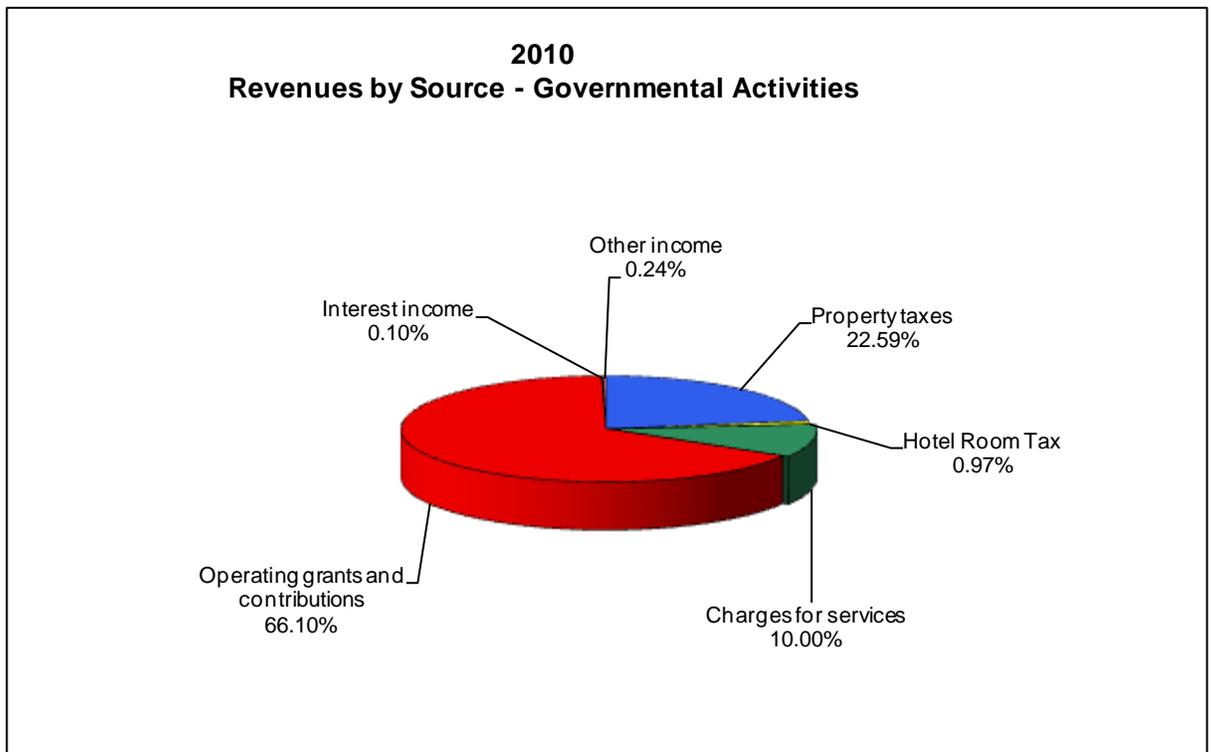
	Governmental Activities		
	2010	2009	Variance
Revenues:			
Program Revenues:			
Charges for services	\$30,342,188	\$28,117,018	\$2,225,170
Operating grants and contributions	200,659,383	214,031,194	(13,371,811)
General revenues:			
Property taxes	68,566,314	59,793,818	8,772,496
Hotel Room Tax	2,948,646	2,724,570	224,076
Interest income	320,697	384,012	(63,315)
Other income	736,610	327,241	409,369
Total revenues	303,573,838	305,377,853	(1,804,015)
Expenses:			
General government	15,852,381	12,781,659	3,070,722
Courts and related offices	23,301,291	23,815,737	(514,446)
Corrections	39,786,125	40,629,325	(843,200)
Community services	206,797,399	214,680,441	(7,883,042)
Public health	7,441,621	7,605,284	(163,663)
Public works	683,726	893,667	(209,941)
Library	7,306,003	4,715,044	2,590,959
Interest on long-term debt	4,179,569	4,337,847	(158,278)
Total expenses	305,348,115	309,459,004	(4,110,889)
Increase (decrease) in net assets	(1,774,277)	(4,081,151)	2,306,874
Net assets, Beginning of Year	42,184,326	46,265,477	(4,081,151)
Net assets, End of Year	\$40,410,049	\$42,184,326	(\$1,774,277)

Governmental activities Governmental activities in 2010 decreased the County's net assets by \$1,774,277. Key elements of this increase are as follows:

- Property taxes increased by \$8,772,496 (14.7%). This occurred due to an increase in the tax millage from 5.45 mills in 2009 to 6.05 mills in 2010. Additionally, the percentage of current taxes collected increased from 94.39% in 2009 to 94.97% in 2010.
- Hotel room rental tax of \$2,948,646 increased by \$224,076 from the \$2,724,570 collected in 2009. We believe this is due to improvement in the economy.
- Charges for services increased nearly 8% or by \$2,225,170. Delinquent tax fees increased by \$126,445, reimbursement for sheriff school resource officers increased \$173,090 due to additional officers in the schools. Supervision fees and administrative fees in Adult Probation increased by \$137,283. Fees in DWI bureau in Drug & Alcohol increased by \$126,937, and recycling fees increased \$62,932 because the County increased the number of hours the recycling center was open. In addition, service fees and septic application fees increased by \$92,543 and users fees for voice over internet protocol phone lines were up \$189,801.
- Operating grants decreased by \$13,371,811(6.2%) primarily due to changes in state funding for Mental Health and Mental Retardation services (MHMR). The decrease of \$21.5 million in MHMR grants occurred because

the state now contracts directly with providers for some services. In 2009, the County received \$384,784 from the state for Helping America Vote Act (HAVA) but did not receive any such funding in 2010. The County is struggling with decreased state and federal funding for Drug & Alcohol programs (\$124,571), in Children & Youth Services (\$1.8 million), the County Library System (\$333,335) and in Public Health grants (\$394,953). The county also received \$746,417 less in public safety grants awarded by the state from wireless phone service. The loss of state and federal grants has caused the County to both decrease the level of service and increase the County cost of operating many programs.

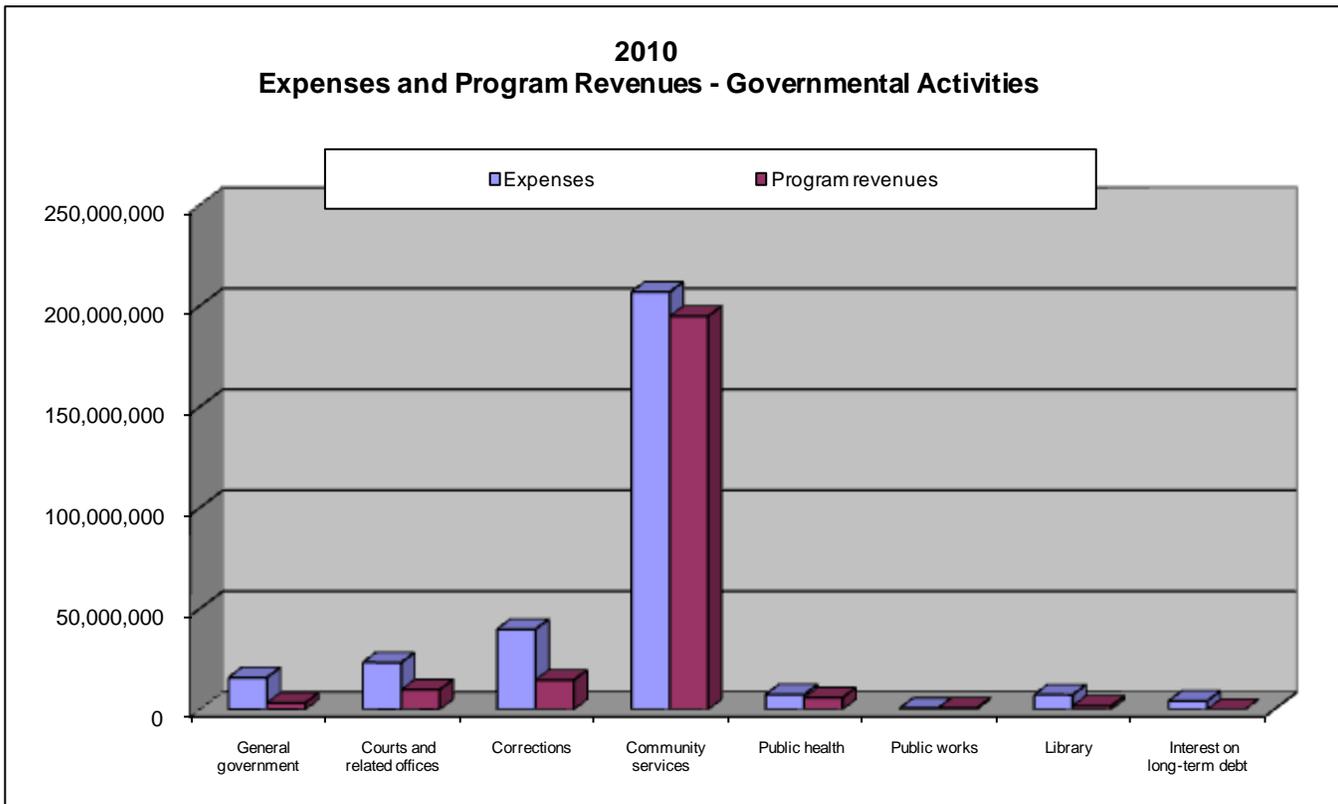
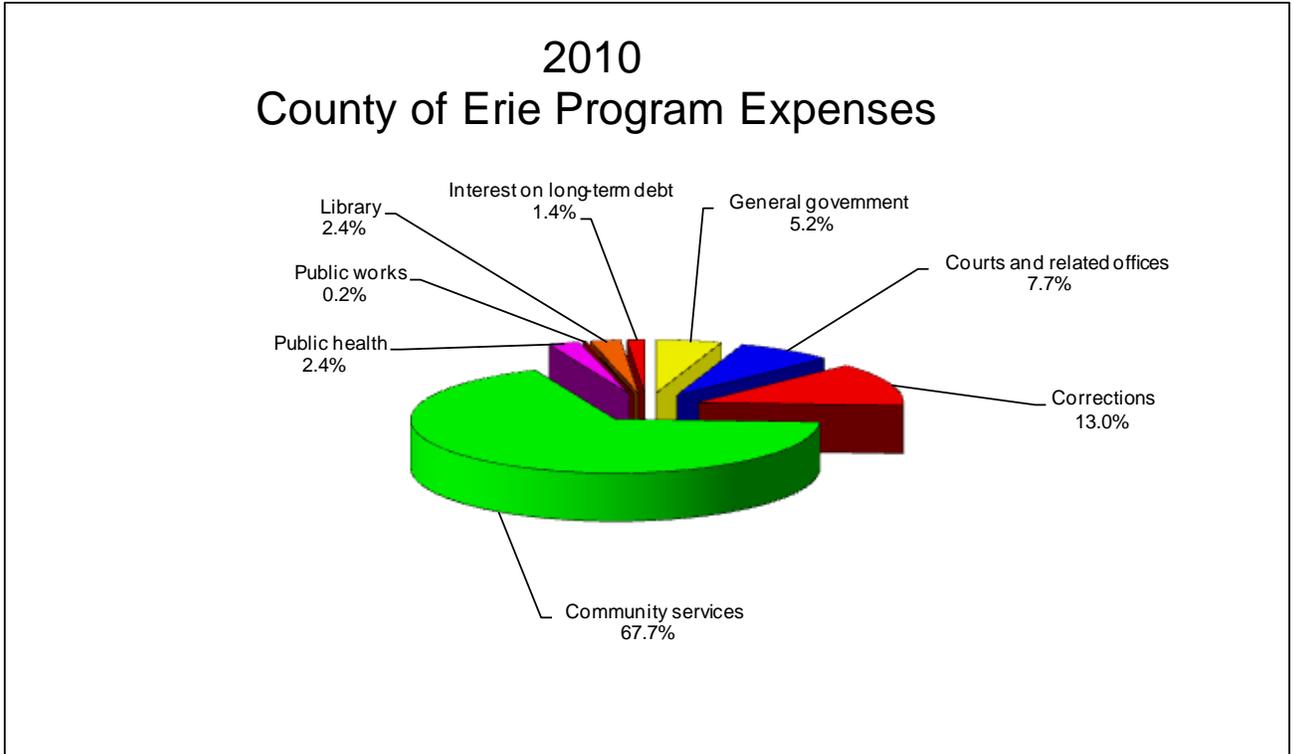
- Interest income continued to drop in 2010 by \$63,315 or 16.4% as interest rates continued to drop. The County has favorably renegotiated bank interest and fees and is using PA Invest, a state investment program, to help boost interest earnings, but interest rates are so low that the County interest income decreased for the third consecutive year.



Program Expenses

- General government expenses rose by \$3,070,721 or 24%. Retiree's hospitalization costs increased \$487,412. Just as hotel tax revenue increased, payments of hotel tax increased \$224,075. Maintenance and repair costs due to a flood in a county building increased by \$369,037. Costs associated with the county reassessment project increased \$202,610 from 2009. Additionally vacation expenses increased and tax refunds from three court cases caused general governmental expenses to increase \$129,513 in 2010.
- A modest 2% decrease, or \$514,446, was related to courts and related expenditures. In 2009, the Domestic relations Office spent \$205,746 in rent while their offices in the Courthouse were being renovated. The department moved back into the Courthouse eliminating this cost in 2010.
- Correction expenditures of \$39,786,125 declined \$843,200 in 2010 primarily as a result of reduced placement of juvenile offenders.
- Just as operating grant revenue was down due to changes in MHMR, so too were community service expenditures. They dropped \$7,883,042 or 3.67%.
- Public health expenditures decreased by \$163,663 or 2.15%. This occurred because grant revenue in Public Health decreased, reducing the types and level of services provided.
- Public Works decreased by \$209,941 or 23.5% because the Liquid Fuels Board wanted to increase the fund balance so that funding would be available for emergency projects.
- Library expenses increased by \$2,590,959, or 55%, due to increased depreciation on two new Library branches and an increase in post employment benefits of \$527,835.

➤ Interest on long term debt decreased by \$158,277 due to a reduction in long term debt of \$4,955,000.



Financial Analysis of the Government's Funds

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

Governmental Funds The focus of the County of Erie'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 of Erie'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 the end of the current year, the County of Erie's governmental funds reported combined fund balances of \$82,218,507, an increase of \$214,630 in comparison with the prior year. Approximately 30.9% (\$25,379,260) constitutes *unreserved and undesignated fund balance*, which is available for spending at the government's discretion. 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 prepaid items (\$731,815), 2) to pay debt service (\$1,769,288), 3) for municipal grants (\$6,958,422), 4) for Economic Development programs (\$11,000,000), 5) for capital projects financed by bond proceeds (\$25,901,084), 6) for public safety (\$2,025,714), 7) for Health Choices (\$4,152,695), for ECCM (\$1,773,519) and for a variety of other restricted purposes such as library services, public works, and Planning (\$2,526,710).

Governmental fund revenues, expenditures and net changes at December 31, 2010 and 2009 were:

Governmental Fund Revenues, Expenditures, Other Other Financing and Net Change in Fund Balance In Dollars

<u>Fund</u>	<u>2010</u>			<u>Net Change in Fund Balances</u>	
	<u>Revenues</u>	<u>Expenditures</u>	<u>Net Other Financing</u>	<u>2010</u>	<u>2009</u>
General Fund	\$88,977,859	\$61,110,385	(\$19,245,360)	\$8,622,114	(\$152,300)
Mental Health Mental Retardation	30,095,283	31,007,706	912,423	-	-
Children & Youth Services	60,630,642	67,760,859	7,130,217	-	-
Health Choices	77,064,037	75,239,496	-	1,824,541	1,381,299
Capital Projects	118,205	4,064,951	-	(3,946,746)	1,028,085
Liquid Fuels	768,906	683,726	-	85,180	(175,159)
Domestic Relations	3,586,121	4,470,363	868,036	(16,206)	(52,459)
Drug & Alcohol	5,631,890	5,914,255	282,365	-	-
Public Safety	3,570,510	5,254,124	944,642	(738,972)	(913,093)
Public Health	5,911,491	7,096,401	1,121,700	(63,210)	(203,443)
Library	1,903,522	6,140,781	4,150,526	(86,733)	(61,420)
Planning	2,815,191	3,118,659	483,327	179,859	(107,118)
Gaming	12,273,873	15,893,042	(2,586,517)	(6,205,686)	1,577,465
Erie County Care Management	9,990,393	9,417,310	-	573,083	549,692
Debt Service	9,847	5,961,082	5,938,641	(12,594)	(27,953)
Total Change	\$303,347,770	\$303,133,140	\$ -	\$214,630	\$2,843,596

The General Fund is the chief operating fund of the County of Erie. At the end of the current fiscal year, unreserved and undesignated fund balance of the General Fund was \$17,770,303, while total fund balance reached \$31,036,874. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 29.1% of total General Fund expenditures, while total fund balance represents 50.8% of that same amount.

The General Fund, fund balance increased by \$8,622,114 during the current fiscal year. The key factors in this significant increase are as follows:

- Increase in real estate taxes of \$7,490,908 over the prior year due to increased millage and a modest growth in assessed value. One positive sign of economic recovery is the increase in the collection rate of current taxes in the year of the levy.
- Increase in hotel tax of \$224,076 in 2010, another positive sign of the economic recovery.
- An increase of \$774,787 in charges for services over the prior year. Increases in delinquent tax fees of \$126,445 and reimbursements for school resource officers and increased supervision and administrative fees in Adult Probation account for the additional revenue.
- An increase of \$651,128 in federal, state and municipal grants. Pass thru grant revenue for the County food distribution program and transportations services increased \$667,574 from 2009 revenue. Grants in the offices of the District Attorney, Public Defender, Prison and IV-E grant in Juvenile Probation increased by \$504,006 in 2010.
- Decrease in interest income of \$16,154 reflect low interest rates, despite the county's efforts to increase interest revenue by negotiating lower bank fees and investing excess cash with the state investment program.
- Other income had a modest increase of \$18,669.
- Despite a 3.25% increase in wages throughout the County in 2010, wages and fringes only increased \$50,677 in general government. This is due to a policy change in which open positions were left vacant for a period of 30 - 60 days. These savings were seen in most categories of General Fund expenditures with personnel costs. General government expenditures rose \$2,293,202 primarily due to increased retiree hospitalization costs of \$487,412, increase costs related to the county-wide reassessment of \$202,610, and increased maintenance and repairs due to a flood in a county facility that caused repainting and carpet replacement.
- Court and related expenditures decreased \$30,644 due to savings from vacant positions.
- Corrections expenditures increased \$219,841. Juvenile Probation's wages and fringes increased \$132,173 because several long term employees left which resulted in a large payout of accumulated sick and vacation time. Several employees were on a long term paid medical leave. In addition, this department was one area in which vacant positions were filled quickly.
- Community services decreased 1.9% or \$101,994 in grant programs.
- Capital Outlay increased \$784,227. County and Recorder of Deed record improvement money collected from user fees were accumulated and spent on various technology projects throughout the County, The County also completely used the furniture and equipment line items to replace a large number of computers and upgrade computer software in 2010.
- The County borrowed \$18,000,000 in 2010 in anticipation of tax and other revenue. Since interest rates are low, the County was able to secure an interest rate of 1.77%.
- Transfers to other funds declined by \$1.6 million in 2010. The transfer to Children & Youth Services decreased \$1.4 million primarily due to decreased placement costs for juvenile offenders. Children & Youth expenditures decreased over \$1.2 million in 2010. Transfers to Public Health and MHMR deceased by over \$770,000. This occurred as a result of decreased costs in Public Health for prison health care services, indirect costs, and environmental and Safe Kids programs.

The General Fund's 2010 budget called for a \$433,734 deficit, but realized a surplus of \$8,622,214, a savings of \$9,055,848 due to increased revenue over budget of \$2,295,789, the majority from increased grant revenue, close monitoring of expenditures, and a savings of \$5,025,232 in transfers to other funds. The transfer to Children & Youth was nearly \$4.1 million under budget primarily because the budget included a possible repayment of IV-E funds. An unresolved dispute between the federal government and the state of Pennsylvania regarding IV-E funding caused the County to budget an additional \$1.77 million in County funds in case the IV-E funding was deferred. The County did not have to transfer the funds in 2010, although the issue is still unresolved. The General Fund did not fund the \$500,000 that was anticipated to Pleasant Ridge Manor because the reimbursement rates were higher than expected.

The Capital Projects Fund realized a 2010 decrease in fund balance of \$3,946,746. Progress was made on several projects that were financed by the 2009 bond issues. The County granted nearly \$1.9 million to the Erie County Regional Airport Authority for the renovation and extension of the airport. Approximately \$1.97 million was expended for major renovations to the Erie County Convention Center Authority's Tullio Center to retain local sports teams and attract more venues.

The Gaming Revenue fund balance declined by \$6.2 million due to the completion of restricted gaming water and sewer projects, debt service payments on the airport and Tullio Center bond issues, and the transfer of \$11.6 million of uncommitted funds to the Erie County Gaming Revenue Authority. Fund balance for Public Safety declined by \$738,972. The County believes it will need to significantly increase the county share of these services. The revenue generated from land line, wireless and voice over internet protocol phones is not keeping up the cost of providing the services. Additionally, other municipalities have indicated that they will no longer dispatch their own calls and turn that responsibility over to the County. The county has contributed \$1.15 million in 2009, \$1.63 million in 2010 and is budgeted to contribute \$1.7 million in 2011.

Health Choices Fund's fund balance increased by \$1.8 million due to client usage. The state has allowed the county to retain these reinvestment dollars.

**Change in Governmental Fund Balances
December 31, 2010
In Dollars**

Fund	Beginning 1/1/10	Net Change in Fund Balances	Ending 12/31/10
General Fund	\$22,414,760	\$8,622,114	\$31,036,874
Mental Health Mental Retardation Children & Youth Services	-	-	-
Health Choices	2,328,154	1,824,541	4,152,695
Capital Projects	29,847,830	(3,946,746)	25,901,084
Liquid Fuels	247,186	85,180	332,366
Domestic Relations	37,943	(16,206)	21,737
Drug & Alcohol	-	-	-
Public Safety	2,384,499	(738,972)	1,645,527
Public Health	257,168	(63,210)	193,958
Library	60,189	(86,733)	(26,544)
Planning	311,651	179,859	491,510
Gaming	21,097,329	(6,205,686)	14,891,643
Erie County Care Management	1,235,286	573,083	1,808,369
Debt Service	1,781,882	(12,594)	1,769,288
Total Change	\$82,003,877	\$214,630	\$82,218,507

General Fund Budgetary Highlights

Differences in total expenditures and transfers out between the original adopted budget of \$89,021,141 and the final amended budget of \$89,078,299 were relatively minor (\$57,158 decrease in appropriations or a .064% increase) and can be summarized as follows:

- \$1,810,864 decrease in various general government activities mainly due to elimination entries of \$2.4 million when preparing the CAFR. These annual elimination entries are for inter-fund and intra-fund billings. An

economic development pas thru capital grant to a local college for a technology center in the amount of \$137,200 was added to the County Executive's budget. Personnel's budget was increased \$70,000 to hire an attorney to negotiate the county labor contracts.

- \$55,276 increase in appropriations for court related activities due to increased funding for the District Attorney's Weed and Seed grant.
- \$200,017 decrease in corrections, the majority of which is due to CAFR elimination entries for prison health reimbursements for mental health services and minor changes to program services in adult and juvenile probation.
- \$1,085,166 increase in community services, of which \$1,077,475 is an elimination entry to reclassify the transfer to Pleasant Ridge Manor, a component unit, from transfers to community services.
- \$804,840 increase in capital outlay due to human service and health department building improvements, sheriff vehicles paid out of supervision fees and the appropriation of reassessment computer hardware and software.
- \$19,569 decrease in debt service due to a lower interest on the 2011 tax and revenue anticipation note of \$18 million.
- \$142,326 increase in transfers to other funds due to non-reimbursable expenditures in Public Safety. Approximately \$60,000 is for wages and fringes, \$32,400 in tower and vehicle maintenance and \$7,000 in data processing.

Capital assets The County of Erie's capital assets for its governmental funds as of December 31, 2010 amount to \$56,541,955 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, building improvements and furniture and equipment; the County does not have any infrastructure. The County of Erie's capital assets decreased approximately 7.83% because depreciation expense exceeded capital additions during 2010.

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

- Additional technology for the public safety building in the amount of \$114,348.
- Completion of the renovation of the Domestic Relations Office; the County expended \$97,341 in 2010 for a total project cost of \$1.9 million.

For additional information please see Note 6, Capital Assets in the Notes to the Financial Statements in this report.

County of Erie's Capital Assets
Net of Depreciation

	Governmental Activities	
	2010	2009
Land	\$ 1,177,815	\$ 1,177,815
Construction in progress	52,999	365,305
Building and improvements	51,186,099	54,285,072
Vehicles	123,269	241,035
Furnitures and equipment	4,001,773	5,276,345
Total	\$ 56,541,955	\$ 61,345,572

Long term debt At the end of the current fiscal year, the County of Erie had outstanding bonds of \$88,795,000, all of which comprises debt backed by the full faith and credit of the government.

During 2005, the County issued \$40,815,000 in general obligation bonds. Series A in the amount of \$11,945,000 refunded 2003 Series B bonds in the amount of \$12,295,000. The County issued \$25,835,000 of 2005 Series B bonds for new projects such as the construction of a public safety building (\$14,000,000), the construction of a prison pre-release center (\$3,700,000) and the renovation of the 5th floor of the Courthouse (\$1,800,000). Series C bonds of \$3,035,000 set up a revolving loan fund by the County of Erie General Authority that will purchase and develop large tracts of land of 200 acres or more for large employers. In 2007, most of the 2005 Series B bonds were

refunded to take advantage of lower interest rates. This refinancing resulted in an economic gain of \$469,889. During 2008, the County issued \$22,055,000 in bonds to provide the shortfall from federal, state and local funding for the rehabilitation and expansion of the airport runway in Erie County, and to provide additional funding needed to complete the renovation of the Domestic Relations office in the Erie County Courthouse. Additionally, in 2009, the County issued \$10,205,000 in bonds for the local share of a \$50,000,000 renovation project to the Tullio Arena, which houses the local hockey, basketball and arena football teams, as well as hosts various musical concerts.

The County also guaranteed \$45,390,000 of hotel revenue bonds issued by the Erie County Convention Center Authority for a hotel completed in early 2008, next to the brand new Erie County Convention Center.

For additional information related to long-term debt, please refer to Note 10: Long Term Obligations in the Notes to the Financial Statement section in this report.

Summary of General Obligation Bond Activity

	2003 GO Bonds	2005 GO Bonds	2007 GO Bonds	2008 GO Bonds	2009 GO Bonds	Total GO Bonds
Beginning Balance @ 1/1/10	\$22,845,000	\$15,535,000	\$25,265,000	\$19,900,000	\$10,205,000	\$93,750,000
Plus: Debt Issued	-	-	-	-	-	-
Less: Principal Payments	(2,430,000)	(230,000)	(95,000)	(2,200,000)	-	(4,955,000)
Ending Balance @12/31/10	<u>\$20,415,000</u>	<u>\$15,305,000</u>	<u>\$25,170,000</u>	<u>\$17,700,000</u>	<u>\$10,205,000</u>	<u>\$88,795,000</u>

County Bond Rating

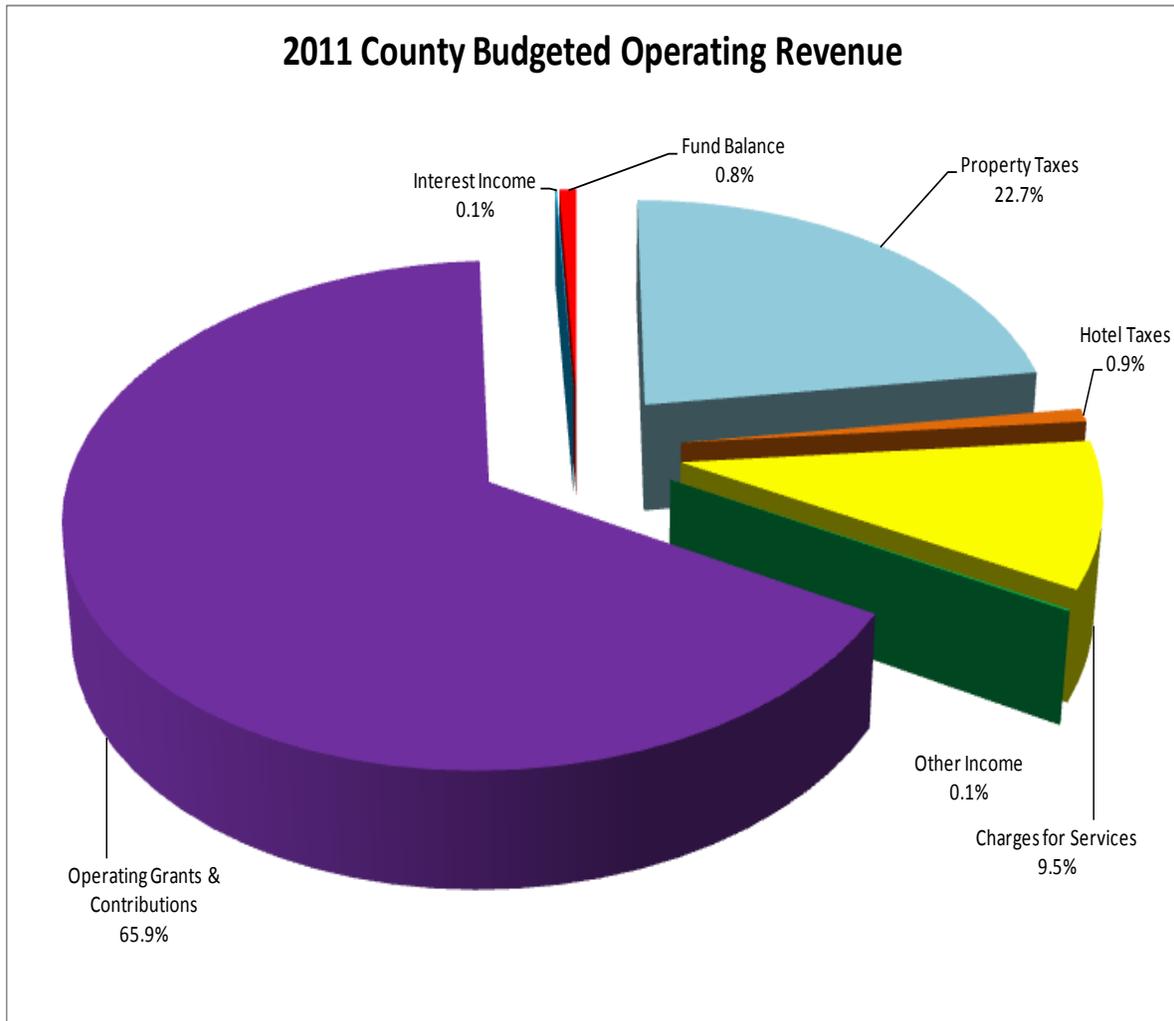
In 2009, the County met with Standard and Poor in advance of the 2009 bond issue. Standard and Poor issued the County an "AA-" rate.

Economic Factors and Next Year's Budgets and Rates

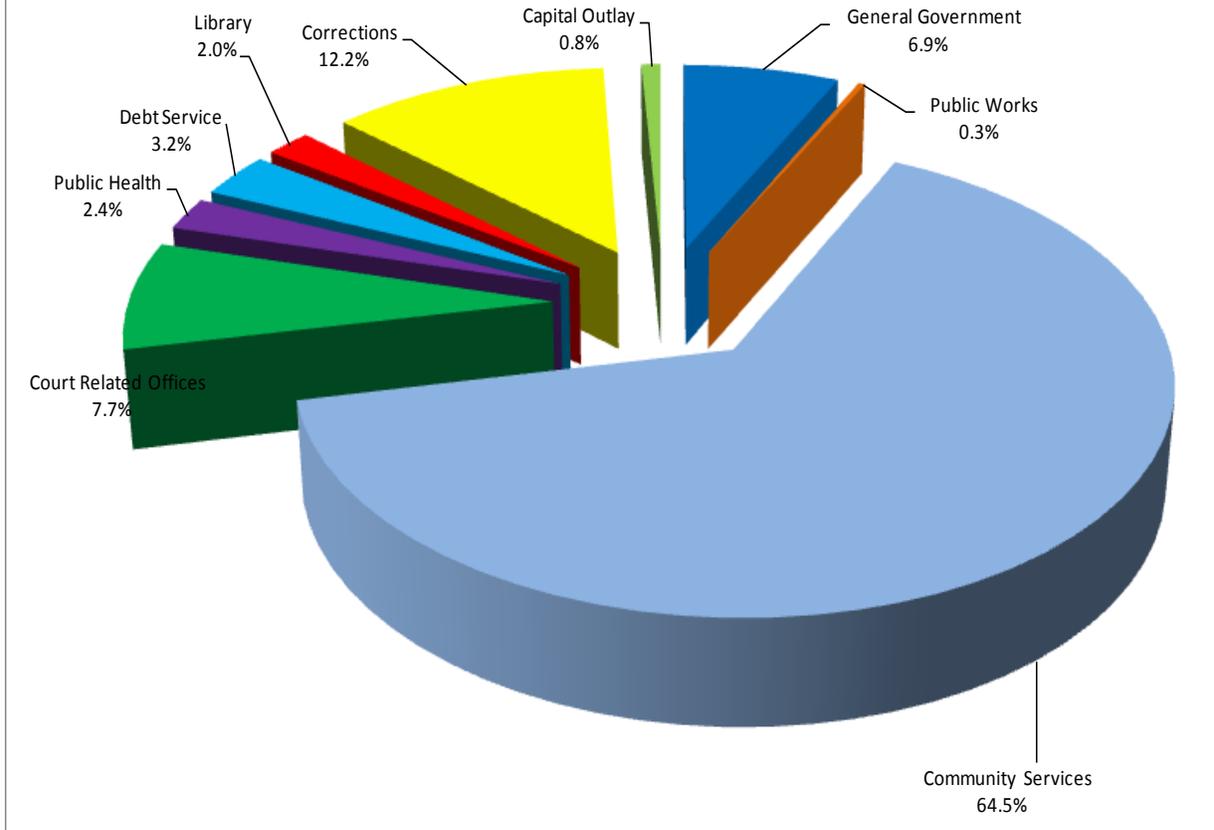
- The County has eight bargaining units and meet and discussion groups as well as a non-bargaining pay plan. The contracts began in 2007 and extend through December 31, 2010. As of May of 2011, five of the contracts have been settled. Negotiations are in progress for the PSSU Caseworker unit and the County needs to meet with the two meet and discuss groups who have no grievance or arbitration rights. All five of the settled contracts call for a two year wage freeze for 2011 and 2012, with a 3.25% wage increase in 2013 and a wage increase tied to the Consumer Price Index with a minimum of 3% and a maximum of 4%. For 2014. Additionally, employees will pay more towards their health benefits. The county believes that the remaining labor groups will mirror those same provisions.
- The County has realized savings from the inception of a preferred provider plan (PPO). The County believes that this plan along with increased employee payroll deductions for medical care have slowed the rising costs of health care. The County budgeted \$13,952,183 in 2011 for hospitalization and prescription drugs, an increase of 7.7% over the 2010 final budget. These rates and other fringe benefit rates were approved by the County's fringe benefit committee in August of 2010 based upon 2010 and 2009 performance.
- The County's annual required pension calculation changed from \$4,318,312 in 2010 to \$5,187,838 in 2011, a 20% increase. The 2011 original budget called for a pension contribution of \$5,345,991.
- The County's share of the Children and Youth Services Fund has increased in 2011 with a budgeted County contribution of \$10.26 million in comparison with \$7.24 million contribution in 2010. Once again, the County has budgeted \$1.78 million to cover possible deferment of IV-E funding from the federal government in their on-going dispute with the state.
- The County is anxiously awaiting the state's 2011-2012 budget. While the Governor's budget proposal had a small effect on state grants to counties, it made cuts of up to 50% in education. The legislature is contemplating restoring some of these cuts by cutting funds to the state Dept of Public Welfare, which could have an, Effective July 1st, 2011, the County entered into a new agreement with Community Care Behavioral Health to be a third party administrator in the Health Choices program. The County has assumed 3% of risk and already has more the maximum potential risk sitting in the Risk and Contingency bank

account. The County decided to take on a small portion of risk in exchange for more local control of the delivery of services.

- The 2010 budget adopted by County Council increased the millage rate from 5.45 mills to 6.05 mills.
- The unemployment rate for the County of Erie for 2010 was 9.40%, an increase from the 2009 rate of 9.00%. The unemployment rate in Erie County as of March 31, 2011 was 8.5%.
- Building permits issued increased from 2,934 in 2009 to 3,171 in 2010.



2011 County Budgeted Operating Expenditures



During the current year, unreserved and undesignated fund balance in the General Fund increased by \$8,078,159 to \$19,364,202. Tax millage increased in 2010 from 5.45 mills to 6.05 mills and remains at 6.05 mills in 2011.

Requests for Information

This financial report is designed to provide a general overview of the County of Erie'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 information should be addressed to the Finance Office, 140 West 6th Street, Room 505, Erie, Pennsylvania 16501. Information is also available on the County's website, eriecountygov.org. The financial statements of Pleasant Ridge Manor and Pleasant Ridge Manor Pension Trust can be obtained from the administrative office at 8300 West Ridge Road, Girard, Pennsylvania 16417. The financial statements for Erie County Care Management can be requested from the fiscal office at 1527 Sassafras Street, Erie Pennsylvania.

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Basic Financial Statements

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County of Erie, Pennsylvania
Statement of Net Assets
December 31, 2010

	Governmental Activities	Total	Component Units
ASSETS			
Current assets:			
Cash and Investments	\$ 66,797,518	\$ 66,797,518	\$ 697,114
Investments	-	-	2,128,605
Receivables, net	48,401,166	48,401,166	15,523,729
Inventory	-	-	299,875
Prepaid Items	987,113	987,113	73,514
Other	-	-	10,370
Total current assets	<u>116,185,797</u>	<u>116,185,797</u>	<u>18,733,207</u>
Noncurrent assets:			
Restricted Cash	340,647	340,647	2,315,689
Restricted Investment	-	-	335,000
Other Assets	1,158,701	1,158,701	7,507
Advance to Redevelopment Authority	8,000,000	8,000,000	-
Receivable from General Authority	3,000,000	3,000,000	-
Deferred Charges	472,591	472,591	-
Net pension asset	175,912	175,912	121,914
Land and other nondepreciable assets	1,230,814	1,230,814	197,046
Capital assets, net	<u>55,311,141</u>	<u>55,311,141</u>	<u>4,975,374</u>
Total noncurrent assets	<u>69,689,806</u>	<u>69,689,806</u>	<u>7,952,530</u>
Total assets	<u>\$ 185,875,603</u>	<u>\$ 185,875,603</u>	<u>\$ 26,685,737</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 26,427,058	\$ 26,427,058	\$ 2,804,411
Accrued liabilities	3,861,879	3,861,879	246,894
Due to other governmental units	345,653	345,653	-
Unearned revenue	6,913,015	6,913,015	-
Accrued interest payable	1,261,441	1,261,441	-
Notes payable	157,927	157,927	-
Compensated absences	82,381	82,381	385,752
Bonds payable	5,135,000	5,135,000	1,446,575
Other liabilities	-	-	10,370
Total current liabilities	<u>44,184,354</u>	<u>44,184,354</u>	<u>4,894,002</u>
Noncurrent Liabilities			
Client Funds Held in Trust	340,647	340,647	521,104
Compensated absences	1,817,559	1,817,559	-
Notes payable	474,974	474,974	-
Bonds payable	85,039,064	85,039,064	-
Other post-employment benefits	<u>13,608,956</u>	<u>13,608,956</u>	<u>-</u>
Total noncurrent liabilities	<u>101,281,200</u>	<u>101,281,200</u>	<u>521,104</u>
Total Liabilities	<u>145,465,554</u>	<u>145,465,554</u>	<u>5,415,106</u>
NET ASSETS			
Invested in capital assets, net of related debt	(7,891,335)	(7,891,335)	3,725,845
Restricted for:			
Economic Development	11,000,000	11,000,000	-
Debt Service	1,769,288	1,769,288	1,490,202
Public Safety	2,025,714	2,025,714	-
Library Fund	108,935	108,935	-
Liquid Fuels	332,366	332,366	-
Court services	1,061,514	1,061,514	-
Low income housing	311,065	311,065	-
Other purposes	221,320	221,320	3,840,510
Municipal grants	6,958,422	6,958,422	-
Unrestricted	<u>24,512,760</u>	<u>24,512,760</u>	<u>12,214,074</u>
Total Net Assets	<u>\$ 40,410,049</u>	<u>\$ 40,410,049</u>	<u>\$ 21,270,631</u>

The notes to the financial statements are an integral part of these statements.

COUNTY OF ERIE, PENNSYLVANIA

Statement of Activities

For the Year Ended December 31, 2010

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 15,852,381	\$ 3,208,938	\$ 89,121	\$ -
Courts and Related Offices	23,301,291	5,475,588	4,316,258	-
Corrections	39,786,125	2,334,393	12,336,805	-
Community Services	206,797,399	18,652,095	176,155,596	-
Public Health	7,441,621	450,712	5,407,983	-
Public Works	683,726	-	768,514	-
Library	7,306,003	220,462	1,585,106	-
Interest	4,179,569	-	-	-
<i>Total Governmental Activities</i>	<u>305,348,115</u>	<u>30,342,188</u>	<u>200,659,383</u>	<u>-</u>
<i>Total Primary Government</i>	<u>\$ 305,348,115</u>	<u>\$ 30,342,188</u>	<u>\$ 200,659,383</u>	<u>\$ -</u>
Component Units				
Pleasant Ridge Manor	\$ 33,462,831	\$ 31,858,234	\$ 596,468	\$ -
Erie County Gaming Revenue Authority	<u>33,181</u>	<u>11,427,961</u>	<u>-</u>	<u>-</u>
<i>Total Component Unit</i>	<u>\$ 33,496,012</u>	<u>\$ 43,286,195</u>	<u>\$ 596,468</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Total	Component Units Total
\$ (12,554,322)	\$ (12,554,322)	\$ -
(13,509,445)	(13,509,445)	-
(25,114,927)	(25,114,927)	-
(11,989,708)	(11,989,708)	-
(1,582,926)	(1,582,926)	-
84,788	84,788	-
(5,500,435)	(5,500,435)	-
(4,179,569)	(4,179,569)	-
<u>(74,346,544)</u>	<u>(74,346,544)</u>	<u>-</u>
<u>\$ (74,346,544)</u>	<u>\$ (74,346,544)</u>	<u>\$ -</u>
\$ -	\$ -	\$ (1,008,129)
<u>-</u>	<u>-</u>	<u>11,394,780</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,386,651</u>

General Revenues:

Property Taxes	68,566,314	68,566,314	-
Hotel Room Tax	2,948,646	2,948,646	-
Interest Income	320,697	320,697	282,156
Other Income	736,610	736,610	33,710
Total General Revenues	<u>72,572,267</u>	<u>72,572,267</u>	<u>315,866</u>
Change in Net Assets	(1,774,277)	(1,774,277)	10,702,517
Net assets beginning of year	<u>42,184,326</u>	<u>42,184,326</u>	<u>10,568,114</u>
Net assets end of year	<u>\$ 40,410,049</u>	<u>\$ 40,410,049</u>	<u>\$ 21,270,631</u>

COUNTY OF ERIE, PENNSYLVANIA

Balance Sheet
Governmental Funds
December 31, 2010

ASSETS	General Fund	Mental Health Mental Retardation	Health Choices
Cash and Cash Equivalents	\$ 19,998,089	\$ 2,336,114	\$ 4,518,532
Restricted Cash and Cash Equivalents	-	-	-
Receivables, Net	9,438,421	2,210,715	12,766,810
Due from Other Funds	7,479,839	3,155,993	-
Prepaid Items	132,713	-	-
Other Assets	-	179,931	21,662
Advance to Redevelopment Authority	8,000,000	-	-
Receivable from General Authority	3,000,000	-	-
Total Assets	<u>\$ 48,049,062</u>	<u>\$ 7,882,753</u>	<u>\$ 17,307,004</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 1,403,210	\$ 3,517,656	\$ 13,101,219
Accrued Liabilities	1,703,090	58,165	17,842
Client Funds Held in Trust	-	-	-
Due to Other Funds	7,594,521	268,653	35,248
Due to Other Governmental Units	-	-	-
Unearned Revenue	935,863	4,038,279	-
Deferred Revenue	5,375,504	-	-
Total Liabilities	<u>17,012,188</u>	<u>7,882,753</u>	<u>13,154,309</u>
FUND BALANCES			
Reserved for:			
Prepaid Items	132,713	-	-
Liquid Fuels	-	-	-
Library Fund	108,935	-	-
Public Safety	431,024	-	-
Municipal Grants	-	-	-
Health Choices	-	-	4,152,695
ECCM	-	-	-
Planning	-	-	-
Court services	1,061,514	-	-
Low income housing	311,065	-	-
Other purposes	221,320	-	-
Capital Projects	-	-	-
Debt Service	-	-	-
Economic Development	11,000,000	-	-
Unreserved, Reported In:			
General Fund	17,770,303	-	-
Special Revenue Funds	-	-	-
Total Fund Balances	<u>31,036,874</u>	<u>-</u>	<u>4,152,695</u>
Total Liabilities and Fund Balances	<u>\$ 48,049,062</u>	<u>\$ 7,882,753</u>	<u>\$ 17,307,004</u>

The notes to the financial statements are an integral part of these statements

Children and Youth	Gaming Fund	Capital Project Fund	Other Governmental Funds	TOTAL
\$ 1,785,782	\$ 6,757,328	\$ 25,506,451	\$ 5,895,222	\$ 66,797,518
-	-	-	340,647	340,647
11,305,043	8,152,642	2,411	4,524,765	48,400,807
45,472	-	1,158,701	1,925,483	13,765,488
-	-	-	599,102	731,815
957,108	-	-	-	1,158,701
-	-	-	-	8,000,000
-	-	-	-	3,000,000
<u>\$ 14,093,405</u>	<u>\$ 14,909,970</u>	<u>\$ 26,667,563</u>	<u>\$ 13,285,219</u>	<u>\$ 142,194,976</u>
\$ 5,899,129	\$ 11,387	\$ 743,176	\$ 1,215,737	\$ 25,891,514
612,984	832	-	1,171,919	3,564,832
-	-	-	340,647	340,647
7,435,527	6,108	23,303	2,181,944	17,545,304
-	-	-	345,653	345,653
145,765	-	-	1,793,108	6,913,015
-	-	-	-	5,375,504
<u>14,093,405</u>	<u>18,327</u>	<u>766,479</u>	<u>7,049,008</u>	<u>59,976,469</u>
-	-	-	599,102	731,815
-	-	-	332,366	332,366
-	-	-	-	108,935
-	-	-	1,594,690	2,025,714
-	6,958,422	-	-	6,958,422
-	-	-	-	4,152,695
-	-	-	1,773,519	1,773,519
-	-	-	491,510	491,510
-	-	-	-	1,061,514
-	-	-	-	311,065
-	-	-	-	221,320
-	-	25,901,084	-	25,901,084
-	-	-	1,769,288	1,769,288
-	-	-	-	11,000,000
-	-	-	-	17,770,303
-	7,933,221	-	(324,264)	7,608,957
<u>-</u>	<u>14,891,643</u>	<u>25,901,084</u>	<u>6,236,211</u>	<u>82,218,507</u>
<u>\$ 14,093,405</u>	<u>\$ 14,909,970</u>	<u>\$ 26,667,563</u>	<u>\$ 13,285,219</u>	<u>\$ 142,194,976</u>

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County of Erie, Pennsylvania
 Reconciliation of the Balance Sheet of Government Funds
 to the Statement of Net Assets
 December 31, 2010

Differences in amounts reported for governmental activities in the statement on page 37:

Fund balances - total governmental funds (page 41)		\$82,218,507
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.		56,541,955
Certain long-term assets are not available to pay current period expenditures and are therefore are deferred in the funds.		5,375,504
An internal service fund is used by management to charge the costs of employee benefits to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets		3,202,882
Other post employment benefits are reflected on the statement of net assets, but are not considered a current expenditure for the fund statements		(13,608,956)
The pension assets resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds		175,912
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ 88,795,000	
Bond premium	1,923,619	
Bond discount	(544,555)	
Deferred charges	(472,591)	
Compensated absences	1,899,940	
Accrued interest payable	1,261,441	
Note Payable	<u>632,901</u>	
		<u>(93,495,755)</u>
Net assets of governmental activities		<u><u>\$40,410,049</u></u>

The notes to the financial statements are an integral part of these statements

COUNTY OF ERIE, PENNSYLVANIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	<u>General Fund</u>	<u>Mental Health Mental Retardation</u>	<u>Health Choices</u>
REVENUES			
Real Estate Taxes	\$ 68,340,246	\$ -	\$ -
Hotel Tax	2,948,646	-	-
Federal, State and Municipal Grants	6,485,203	29,996,656	75,299,295
Charges for Services	11,059,767	-	1,743,862
Interest Income	56,160	9,101	20,880
Other Income	87,837	89,526	-
	<u>88,977,859</u>	<u>30,095,283</u>	<u>77,064,037</u>
EXPENDITURES			
Current:			
General Government	14,243,236	-	-
Courts and Related Offices	17,035,036	-	-
Corrections	23,304,033	-	-
Community Services	5,328,216	30,965,230	75,239,496
Public Health	-	-	-
Public Works	-	-	-
Library	-	-	-
Other	-	-	-
Capital Outlay	894,860	42,476	-
Debt Service			
Principal	-	-	-
Interest	305,004	-	-
	<u>61,110,385</u>	<u>31,007,706</u>	<u>75,239,496</u>
Excess of Revenues Over (Under) Expenditures	<u>27,867,474</u>	<u>(912,423)</u>	<u>1,824,541</u>
Other Financing Sources (Uses)			
Transfers In	1,962,031	912,423	-
Transfers Out	<u>(21,207,391)</u>	<u>-</u>	<u>-</u>
	<u>(19,245,360)</u>	<u>912,423</u>	<u>-</u>
Net Change In Fund Balance	8,622,114	-	1,824,541
Fund Balances, Beginning of Year	<u>22,414,760</u>	<u>-</u>	<u>2,328,154</u>
Fund Balances, End of Year	<u>\$ 31,036,874</u>	<u>\$ -</u>	<u>\$ 4,152,695</u>

The notes to the financial statements are an integral part of these statements.

Children and Youth	Gaming Fund	Capital Project Fund	Other Governmental Funds	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ 68,340,246
-	-	-	-	2,948,646
59,842,198	-	-	29,036,031	200,659,383
787,529	12,174,792	-	4,576,238	30,342,188
915	99,081	118,205	16,355	320,697
-	-	-	559,247	736,610
<u>60,630,642</u>	<u>12,273,873</u>	<u>118,205</u>	<u>34,187,871</u>	<u>303,347,770</u>
-	-	-	-	14,243,236
-	-	-	4,470,363	21,505,399
14,251,980	-	-	-	37,556,013
53,424,651	12,597,409	3,853,262	23,135,837	204,544,101
-	-	-	7,002,502	7,002,502
-	-	-	683,726	683,726
-	-	-	6,132,786	6,132,786
-	-	-	5,889	5,889
84,228	-	211,689	670,405	1,903,658
-	2,200,000	-	2,904,246	5,104,246
-	1,095,633	-	3,050,947	4,451,584
<u>67,760,859</u>	<u>15,893,042</u>	<u>4,064,951</u>	<u>48,056,701</u>	<u>303,133,140</u>
<u>(7,130,217)</u>	<u>(3,619,169)</u>	<u>(3,946,746)</u>	<u>(13,868,830)</u>	<u>214,630</u>
7,238,217	10,750	-	14,746,836	24,870,257
(108,000)	(2,597,267)	-	(957,599)	(24,870,257)
<u>7,130,217</u>	<u>(2,586,517)</u>	<u>-</u>	<u>13,789,237</u>	<u>-</u>
-	(6,205,686)	(3,946,746)	(79,593)	214,630
-	21,097,329	29,847,830	6,315,804	82,003,877
<u>\$ -</u>	<u>\$ 14,891,643</u>	<u>\$ 25,901,084</u>	<u>\$ 6,236,211</u>	<u>\$ 82,218,507</u>

COUNTY OF ERIE, PENNSYLVANIA

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, 2010

Amounts reported for governmental activities in the Statement of Activities are different because: (page 38-39)

Net change in fund balances - total governmental funds (page 45)	\$	214,630
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in the Statement of Net Assets.		984,463
Depreciation expenses on governmental capital assets included in the governmental activities in the Statement of Activities.		(5,423,809)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade ins, or donations) is to decrease net assets.		(364,271)
Other post employment benefits are reflected on the Statement of Net Assets but are not considered a current expenditure for the fund statements		(3,364,149)
Repayment of long term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Assets. In the current year, these amounts are:		
Bond principal payments		4,955,000
Note payments		149,247
Change in compensated absences		(39,648)
		5,064,599
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred real estate tax		226,068
Change in accrued interest		75,158
		301,226
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources are available.		
Net pension asset		(8,799)
Certain activities reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Bond premium		237,132
Bond discount		(40,276)
Bond issuance cost, net		(55,678)
		141,178
Internal service funds are used by management to charge the costs to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities.		680,655
Change in net assets of governmental activities.	\$	(1,774,277)

COUNTY OF ERIE, PENNSYLVANIA
 Statement of Net Assets - Proprietary Fund
 December 31, 2010

	Governmental Activities Internal Service Fund <u> </u>
Assets	
Current Assets:	
Receivables	\$ 359
Due from Other Funds	3,779,816
Prepaid Expenses	<u>255,298</u>
Total Current Assets	<u>4,035,473</u>
Total Assets	<u><u>\$ 4,035,473</u></u>
 Liabilities	
Current Liabilities	
Accounts Payable - Medical Claims	\$ 535,544
Other Current Liabilities	<u>297,047</u>
Total Current Liabilities	<u>832,591</u>
 Net Assets	
Unrestricted	<u>3,202,882</u>
Total Net Assets	<u>3,202,882</u>
Total Liabilities and Net Assets	<u><u>\$ 4,035,473</u></u>

The notes to the financial statements are an integral part of these statements.

COUNTY OF ERIE, PENNSYLVANIA
Statement of Revenues, Expenses and Changes
in Net Assets - Proprietary Fund
For the Year Ended December 31, 2010

	Governmental Activities Internal Service Fund
Operating Revenues:	
Employer Contributions	\$ 25,368,023
Employee Contributions	<u>561,714</u>
Total Operating Revenues	<u>25,929,737</u>
Operating Expenses:	
Employee Benefits	8,113,281
Insurance Premiums	1,284,173
Claim Payments	<u>15,851,628</u>
Total Operating Expenses	<u>25,249,082</u>
Change in Net Assets	680,655
Total Net Assets - Beginning	<u>2,522,227</u>
Total Net Assets - Ending	<u><u>\$ 3,202,882</u></u>

The notes to the financial statements are an integral part of these statements.

COUNTY OF ERIE, PENNSYLVANIA
Statement of Cash Flows- Proprietary Fund
For the Year Ended December 31, 2010

Cash Flows from Operating Activities	
Cash received from users	\$ 25,929,737
Cash payments for employee benefits	<u>(25,929,737)</u>
Net cash provided by operating activities	<u>-</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>

Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 680,655
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in assets:	
Accounts receivable	19,641
Due from other funds	(1,007,241)
Prepaid items	(2,729)
Increase (decrease) in liabilities:	
Accounts payable - medical claims	34,099
Other current liabilities	<u>275,575</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of these statements.

COUNTY OF ERIE, PENNSYLVANIA

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2010

	Pension Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 4,124,728	\$ 3,943,069
Investments, at fair value		
U.S. government obligations	24,394,060	691,622
Municipal bonds	248,514	-
Mutual funds	12,974,752	1,550,231
Corporate bonds	27,948,647	-
Common stocks	97,712,671	-
Property Trust	6,999,994	-
Property taxes receivable	-	13,561,175
Interest and other receivables	552,771	30,109
Other Assets	-	658,046
	\$ 174,956,137	\$ 20,434,252
LIABILITIES		
Accounts payable	\$ -	\$ 6,873,077
Due to other individuals	-	-
Due to other governmental units	-	13,561,175
	-	20,434,252
NET ASSETS		
Held in trust for pension benefits and other purposes	\$ 174,956,137	\$ -

The notes to the financial statements are an integral part of these statements.

COUNTY OF ERIE, PENNSYLVANIA
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds
Pension Trust
For the Year Ended December 31, 2010

Additions:

Contributions		
Employee contribution	\$	2,829,795
Employer contribution		<u>4,318,312</u>
Total contributions		<u>7,148,107</u>
Investment income		
Net Appreciation in Fair Value of Investments		16,851,963
Interest		2,345,348
Dividends		<u>1,634,430</u>
Total investment income		20,831,741
Less: Investment expenses		<u>1,022,677</u>
Net investment income		<u>19,809,064</u>
Miscellaneous income		<u>270,669</u>
Total additions		<u>27,227,840</u>

Deductions:

Pension benefits		8,532,105
Refund of contributions		419,399
Death benefits		206,137
Administrative expense		86,650
Miscellaneous		<u>729</u>
Total deductions		<u>9,245,020</u>
Change in Net Assets		17,982,820
Net Assets - Beginning of year		<u>156,973,317</u>
Net Assets - End of year		<u><u>\$ 174,956,137</u></u>

The notes to the financial statements are an integral part of these statements.

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COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Erie, Pennsylvania operates under a Home Rule Charter which became effective January 1, 1978. The County operates under a Council – Executive form government. There are nine offices elected county-wide, which are: county council, county executive, county controller, district attorney, sheriff, coroner, clerk of records, common pleas judges and magisterial district judges.

The seven-member board of county council is the legislative body of the County. The daily operations of the county are the responsibility of the county executive.

Services provided by the County and accounted for within these financial statements include courts and corrections, health and social services, library, public safety, planning, economic development, and general governmental services.

The accompanying basic financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (“GASB”).

A summary of the County's significant accounting policies consistently applied in the preparation of the accompanying basic financial statements is as follows:

A) Reporting Entity

The County follows the criteria promulgated by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14, *The Financial Reporting Entity*, for purposes of determining the scope of its reporting entity. As required by GAAP, the basic financial statements of the reporting entity include those of the County of Erie (the Primary Government) and its Component Units. The Component Units discussed below are included in the County's reporting entity because of their operational or financial relationship with the County.

1. Component Units

In conformity with GAAP, the financials of Component Units have been included in the financial reporting entity either as a Blended Component Unit or as a Discretely Presented Component Unit.

a. Blended Component Unit

Erie County Care Management, Inc. (Corporation) is governed by a Board comprised of the primary government's elected council. All agreements and budgets are to be approved by the primary government. Legal liability for the Corporation's debt remains with the primary government. The Corporation is reported as a Nonmajor special revenue fund.

Complete financial statements can be obtained from the administrative office at 1601 Sassafras Street, Erie, PA 16502.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A) Reporting Entity (Continued)

1. Component Units (Continued)

b. Discretely Presented Component Units

The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. This statement includes Pleasant Ridge Manor and the Erie County Gaming Revenue Authority. The governing body of the Pleasant Ridge Manor is controlled by or appointed by Erie County Council. The authority members of the Erie County Gaming Revenue Authority are appointed by County Council. Erie County Gaming Revenue Authority receives all of its revenue from the County.

The Erie County Gaming Revenue Authority was created by County government to administer the restricted gaming revenue in accordance with state statute. The County must use an economic development authority to administer the restricted gaming funds. The authority members are appointed by Erie County Council and receive and review applications for the restricted gaming funds. The recommendations of the authority are then sent to County Council for approval. The authority may award funds up to \$25,000 without Erie County Council approval. Completed financial statements of Erie County Gaming Authority can be obtained from Erie County Gaming Revenue Authority 5240 Knowledge Parkway, Suite A, Erie, Pennsylvania, 16510.

Pleasant Ridge Manor is organized to provide public health and nursing care to indigent persons within Erie County. Under the terms of the Statement of Agreement dated April 15, 1980 between the County of Erie and Pleasant Ridge Manor, the County has full and entire right of control of the financial affairs of Pleasant Ridge Manor. Pleasant Ridge Manor is presented in a combined column in the governmental-wide financial statements.

Pleasant Ridge Manor Pension Trust is reported separate from Pleasant Ridge Manor and is not reported as part of the Manor's annual report. The pension trust has been disclosed in the footnotes to the financial statements. Complete financial statements of Pleasant Ridge Manor and Pleasant Ridge Manor Pension Trust can be obtained from the administrative office at Pleasant Ridge Manor, 8300 West Ridge Road, Girard, Pennsylvania, 16417.

2. Related Organizations

The Board of Council is also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations generally does not extend beyond making the appointments. These organizations include:

- Erie County Housing Authority
- Erie County Redevelopment Authority

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A) Reporting Entity (Continued)

- Erie County Industrial Development Authority
- Erie County Hospital Authority
- Erie County Metropolitan Transit Authority
- Erie County Industrial Development Authority
- Erie County General Authority
- Convention Center Authority
- Erie County Conservation District Authority

B) Measurement Focus and Basis of Accounting

The basic financial statements of the County are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental activities of the primary government (including its blended component unit) as well as its discretely presented component units. Governmental activities normally are supported by taxes and intergovernmental revenues. Likewise, the primary government is reported separately from the legally separate discrete component units for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

The government-wide statement of activities demonstrates the degree to which the direct expenses of given functional category (public safety, general government, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional category. Expenses reported for functional activities do not include allocated indirect expenses. Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B) Measurement Focus and Basis of Accounting (Continued)

1. Government-wide Financial Statements (Continued)

liability rather than as an expenditure. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

2. Fund Financial Statements

The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate. The fiduciary statements include financial information for agency funds and the County's Retirement Trust Fund. The agency funds of the County primarily represent assets held by the County in a custodial capacity for other individuals or governments.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and thus have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the County.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B) Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Proprietary Funds

The County's internal service fund is a proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B) Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

Fiduciary Funds

The County's fiduciary funds are presented in the fund financial statements by activity (pension trust fund and agency fund). Since, by definition, the assets of these funds are held for the benefit of a third party (individuals, private organizations, and/ or other governments) and cannot be used to satisfy obligations of the County, these funds are not incorporated into the government-wide financial statements. The County's fiduciary funds are presented on the accrual basis of accounting.

C) Basis of Presentation

The determination of major funds is based on minimum criteria as set forth in GASB Statement Number 34. The non-major funds are combined in a column in the fund financial statements. The following are the County's major funds:

1. Governmental Fund Types

a. General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Revenues of this fund are primarily derived from real estate taxes, Commonwealth and Federal grants, and fees for services. Many of the basic activities of the County are accounted for in this fund, including operation of general County government, boards, the court system, and public safety activities.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C) Basis of Presentation (Continued)

1. Governmental Fund Types (Continued)

b. Mental Health/Mental Retardation Fund

This fund administers local agency providers of mental health and mental retardation services. The fund also administers various programs for transportation, adult services, and in home health.

c. Children and Youth Fund

This fund accounts for the child protective services, day care and a juvenile detention center.

d. Health Choices Fund

This fund accounts for the medical assistance funding for mental health, drug and alcohol and children services programs.

e. Gaming Fund

This fund is provided by revenue received from the operation of Presque Isle Downs and Casino. One half of the funds support regional assets, including the County Public Library and various administrative costs and projects as determined by County Council. The remaining half is restricted to operating and capital projects for contiguous municipalities that result from the operation of the casino. Restricted funds that are not committed by March 31st of the following year are transferred to the Erie County Gaming Revenue Authority. Erie County Gaming Revenue Authority allocates these funds based upon their distribution plan.

f. Capital Projects Fund

This fund accounts for capital improvements which are financed from general obligation bond issues and other specified receipts.

2. Other Fund Types

a. Internal Service Fund

This fund accounts for finance services and commodities furnished exclusively to user offices, departments and other funds of the County on a cost reimbursement basis. The principal service provided includes a self-insurance program for health and prescription drug coverage. Operating revenues are from employer and employee premiums and operating expenses include benefit claims expense. All other revenues and expenses are recorded as non-operating. The Internal Service Fund (after elimination) is included in governmental activities for government-wide reporting purposes.

b. Trust Funds

Includes the Pension Trust, which accounts for the activities of the Erie County Employees' Retirement System.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C) Basis of Presentation (Continued)

2. Other Fund Types (Continued)

b. Agency Funds

The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Fiduciary funds are not included in the government-wide statements. The agency funds account for the following activities:

- Collection of delinquent real estate taxes as well as disbursing the money to the appropriate taxing authority.
- Proceeds from various licenses.
- Prison services account for inmate, commissary, and work release activities.
- District Judges receive cash from defendants and disburse to appropriate agencies.
- Clerk of Records accounts for fees associated with recording of deeds, prothonotary fees, cash bail, and registering of wills.
- Sheriff's office collects proceeds of real estate sales and various fines.

D) Budgets and Budgetary Accounting

The budget is adopted on a basis consistent with generally accepted accounting principles. The County of Erie follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before October 1 the County Executive submits to County Council proposed budgets.
2. County Council holds public hearings on the proposed budgets commencing not earlier than thirty days following receipt of the proposed budget.
3. Public hearings are conducted on the proposed budget. The proposed budget is available for public inspection for 20 days prior to final adoption.
4. On or before December 1 the budgets are adopted by County Council.

The appropriate budget is prepared by fund, function and department. The legal level of budgetary control for the County is the department level. While the department heads can transfer up to ten percent of their budget between line items without Council approval, the ten percent transfer is processed for presentation purposes only as a management tool. A department head has violated the law only if the department total exceeds the budget. For budget reporting purposes, each individual special revenue fund is considered to be a department.

Unexpended budget appropriations expire at year end and do not carry forward to future periods.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E) Cash and Cash Equivalents

Cash and cash equivalents are cash on hand, as well as demand deposits, investments and certificates of deposit included in pooled cash and non-pooled investments with original maturities of three months or less.

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government
- Obligations of the Commonwealth of Pennsylvania
- Commercial Paper
- Time deposits of institutions having their principal place of business within Pennsylvania
- Repurchase agreements which are fully collateralized by obligations of the United States Government

F) Restricted Cash

Restricted cash represents cash set aside for liquidation of specific obligations as detailed in Note 3.

G) Investments

Investments are stated at fair value in all funds. Investments that do not have an established market value are reported at estimated fair value.

H) Allowance for Doubtful Accounts

Accounts receivable have been reported net of allowance for doubtful accounts of \$1,899,765.

I) Prepaid Items

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

J) Capital Assets

Capital Assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. The infrastructure assets located within Erie County are owned and maintained by various local municipalities that are located within the County. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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 market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects as constructed.

COUNTY OF ERIE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

J) Capital Assets (Continued)

The capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Improvements	15 Years
Buildings and Improvements	30 Years
Machinery and Equipment	5-10 Years
Motor Vehicles	5 Years

K) Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions except quasi-external transactions and reimbursements are reported as transfers.

L) Compensated Absences

All full time employees accumulate one and one-fourth days of sick leave for each month of service. Sick leave may accumulate indefinitely. At retirement employees shall be compensated as follows:

	<u>Unused Sick Days at Retirement</u>	<u>Percentage of Days Bought Back</u>
<u>PSSU - Office of Children and Youth Supervisors</u>		
	0-100	14%
	101-200	15%
	201 and above	16%
<u>ECAPE Union and County Detectives</u> (at retirement or at termination)		
	1-90	15%
	91-190	20%
	191 and above	25%
<u>PSSU - Prison Workers</u>		
	1-90	15%
	91 and above	20%
<u>AFSCME and Non-bargaining, Appointed Officials and Court Supervisors</u>		

Sick days will be paid at the rate of one day for every six sick days.

PSSU - Office of Children and Youth Case Workers

Sick days will be paid at the rate of one day for every eight sick days.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

L) Compensated Absences (Continued)

All full time employees are credited for vacation time starting from their date of hire and earn annual vacation credits for each month in which they are in compensating status of ten of ten or more working days. Any employee who is laid off, discharged, retired or otherwise separated from employment is compensated in cash for any unused vacation days up to a maximum of 30 days carry over from prior years plus any unused vacation days earned since the beginning of the year.

On an annual basis, full-time employees are eligible to exchange up to one-half of their vacation days for a cash payment. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as result of employee resignation and retirement.

M) Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as bond issuance costs in the debt service fund.

N) Unearned Revenues

Unearned Revenues are reported in government-wide financial statements and fund financial statements. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues represent grant monies received but not yet earned. Deferred revenues reported in governmental fund financial statements represent tax revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues. The County deems revenues received within 60 days of year-end to be available.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

O) Net Assets/Fund Balances

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested 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.
- *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 and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of Council and management and can be increased, reduced or eliminated by similar actions.

P) Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

Q) Adoption of Governmental Accounting Standards Board Statement

The County adopted the provisions of GASB Statement No. 51, “*Accounting and Financial Reporting for Intangible Assets.*” The adoption of this statement had no effect on the financial reporting information of the County.

The County adopted the provisions of GASB Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments.*” The adoption of this statement had no effect on the financial reporting information of the County.

The County adopted the provisions of GASB Statement No. 58, “*Accounting and Financial Reporting for Chapter 9 Bankruptcies.*” The adoption of this statement had no effect on the financial reporting information of the County.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

R) Pending Changes in Accounting Principles

In March 2009, the GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions.*" The County is required to adopt Statement No. 54 for its calendar year 2011 financial statements.

In December 2009, the GASB issued Statement No. 57, "*OPEB Measurements by agent Employers and Agent Multiple-Employer Plans.*" The County is required to adopt Statement No. 57 for its calendar year 2012 financial statements.

In June 2010, the GASB issued Statement No. 59, "*Financial Instruments Omnibus.*" The County is required to adopt Statement No. 59 for its calendar year 2011 financial statements.

In November 2010, the GASB issued Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements.*" The County is required to adopt Statement No. 60 for its calendar year 2012 financial statements.

In November 2010, the GASB issued Statement No. 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No.14 and No. 34.*" The County is required to adopt Statement No. 61 for its calendar year 2013 financial statements.

In December 2010, the GASB issued Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*" The County is required to adopt Statement No. 62 for its calendar year 2012 financial statements.

The County has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

S) Discretely Presented Component Units

1. Pleasant Ridge Manor (PRM)

Financial Reporting Entity

Pleasant Ridge Manor ("PRM"), formerly Erie County Geriatric Center, is a non-profit organization, as defined under Section 501(c) (3) of the Internal Revenue Code, organized to provide public, nonsectarian charity, health and nursing care to indigent persons within Erie County (the "County"), Pennsylvania. Under the terms of the Statement of Agreement dated April 15, 1980 between the County of Erie and PRM, the County has full and entire right of control of the financial affairs of PRM. PRM is recognized as a county facility. Approximately 73.9% of revenue is derived from services provided to residents under the Medical Assistance Program.

Accrual Basis

The Proprietary Funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned; expenses are recognized when they are incurred.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Discretely Presented Component Units (Continued)

Pleasant Ridge Manor (PRM) (Continued)

PRM follows the pronouncements of the Governmental Accounting Standards Board (GASB) as well as the applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Resident Service Revenue

Resident service revenue is accounted for at established rates on the accrual basis. Appropriate allowances are recognized for losses on self-pay accounts and for the differences between the established rates and the amounts reimbursable under various third-party reimbursement agreements. Final revenues under such agreements are determined only after review or audit by the third parties. Differences between the estimated final settlements and the actual amounts are recognized in the period in which the reviews or audits are settled.

Cash Equivalents

For the purpose of this statement, cash equivalents are defined as demand deposits with financial institutions, petty cash funds and certificates of deposits with original maturities of three months or less.

Inventories

Inventories are valued at the lower of cost or market using the first-in, first-out method (FIFO).

Capital Assets

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the assets' useful lives which range from 2 to 29 years. The cost and accumulated depreciation of items retired or disposed of are removed from the accounts, with the related gain or loss recognized in the period of retirement or disposition. Maintenance and repair costs are charged to expense as incurred, while major renewals and betterments are capitalized.

Depreciation Reserve Fund

PRM transfers funds to the Depreciation Reserve Fund in an amount equal to the total annual depreciation expense, and uses the balances in the Fund for acquisition of depreciable assets and other approved purposes.

Vacation Pay

PRM accrues vested vacation pay as it is earned. Vacation days will be taken only after they are accrued. Employees may not accumulate in excess of 120 hours.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Discretely Presented Component Units (Continued)

2. Erie County Gaming Revenue Authority

Reporting Entity

The Erie County Gaming Revenue Authority (the Authority) was established December, 2007. The Authority was formed pursuant to the provisions of the Economic Development Financing Law, the Pennsylvania Race Horse Development and Gaming Act, and the Home Rule Charter of the County of Erie.

The Authority's Board consists of nine Board members. The members include the Chairman of the County Council, the County Executive and one resident from each of the seven districts within Erie County who shall be appointed by the County Executive with the consent of County Council.

The purpose of the Authority is to assist Erie County in approving municipal grants to be distributed through Erie County's restricted gaming funds in accordance with the Pennsylvania Race Horse Development and Gaming Act. Any restricted funds remaining at the County's year end are considered uncommitted and will be transferred to the Authority's possession. The distribution of these uncommitted funds are at the sole discretion of the Authority. The Authority's management and Board of Directors are responsible for implementing policies and procedures by which the funds will be distributed for various projects within Erie County.

Basis of Accounting

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. Governmental activities are supported by gaming revenues received from the County of Erie.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

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 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 or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Gaming revenues not properly included among program revenues are reported instead as general revenues.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 2: DEPOSIT AND INVESTMENT RISK

At December 31, 2010, the County's deposits, excluding the pension fund and discretely presented component units, had a carrying amount of \$71,081,234 and a bank balance of \$72,381,196, of which \$1,317,835 was covered by federal deposit insurance and \$71,063,361 was covered by collateral held under the pooling method.

	<u>Bank</u>	<u>Book</u>
Government Activities		
Cash and Cash Equivalents	\$ 68,110,917	\$ 66,797,518
Restricted Cash	<u>340,647</u>	<u>340,647</u>
Total Government Activities	<u>68,451,564</u>	<u>67,138,165</u>
Agency Funds		
Cash and Cash Equivalents	3,929,632	3,943,069
Investments	<u>2,241,853</u>	<u>2,241,853</u>
Total Agency Funds	<u>6,171,485</u>	<u>6,184,922</u>
Total	<u>\$ 74,623,049</u>	<u>\$ 73,323,087</u>

As of December 31, 2010, the County had the following debt investments and maturities within the Agency Funds:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Government Treasuries	\$ 691,623	\$ 380,499	\$ 311,124	\$ -	\$ -
Mutual Funds Fixed Income	1,550,230	-	1,550,230		
Total	<u>\$ 2,241,853</u>	<u>\$ 380,499</u>	<u>\$ 1,861,354</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk – For Deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. At December 31, 2010, \$71,063,361 of the County's deposits were exposed to custodial credit risk, as they are collateralized with securities held by the pledging financial institution and uninsured. None of the County's investments were exposed to custodial credit risk at December 31, 2010.

Concentration of Credit Risk – The County's investment policy for pooled and self-insurance funds is to invest in U.S. Government Federal agency securities for which there is no limit to the investment amount.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy is to invest funds to meet its projected cash flow requirements. Investments of the General Fund, Special Revenue Funds, and the Self-Insurance Internal Service Fund are made at the discretion of the County finance department as long as such investments are made at financial institutions approved by the County finance department and are fully collateralized by securities with a fair value equal to or exceeding the cost of the investment. Investments must be made in accordance with the Commonwealth of Pennsylvania's Act 72 and the financial institution must be on the County finance department's approval list.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 2: DEPOSIT AND INVESTMENT RISK (Continued)

Erie County Employee Pension Retirement Fund:

Custodial Credit Risk – For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. At December 31, 2010, \$4,124,728 of the County's deposits were exposed to custodial credit risk, as they are collateralized with securities held by the pledging financial institution and uninsured. None of the County's investments were exposed to custodial credit risk at December 31, 2010.

As of December 31, 2010, the County had the following debt investments and maturities within its Retirement Fund accounts:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Government Agencies	\$ 6,632,862	\$ -	\$ 2,426,377	\$ 574,863	\$ 3,631,622
U.S. Government Treasuries	17,761,198	2,392,096	10,567,906	3,910,352	890,844
Corporate Bonds	27,948,647	622,741	13,265,585	11,338,414	2,721,907
Municipal Bonds	248,514	-	101,997	87,308	59,209
Total	<u>\$ 52,591,221</u>	<u>\$ 3,014,837</u>	<u>\$ 26,361,865</u>	<u>\$ 15,910,937</u>	<u>\$ 7,303,582</u>

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy is to invest funds to achieve a positive rate of return over the long term, sufficient to meet the Plan's actuarial interest rate and provide for the payment of benefit obligations and expenses in perpetuity in and secure and prudent fashion.

The County's Retirement Plan Investment Policy (Retirement Investment Policy) states that emphasis shall be placed on providing adequate and timely investment cash flow to permit benefit payments from the Retirement Plan when due. Fixed income investment allocation is targeted to 40% (with an allowable range of +/- 7%) of the portfolio. The investments may be adjusted to meet economic and/or investment market conditions.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Erie County Employee Pension Retirement Fund (Continued)

Credit Risk – The County’s Retirement investment policy average credit quality of fixed income portfolio must maintain a rating of AA or better. The fixed income assets held by the Plan must be rated investment grade or better by Moody’s or Standard & Poor’s (Baa or BBB).

As of December 31, 2010, the County’s retirement investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Amount of Investments	Percent of Investment Type
U.S. Government Treasuries	AAA	\$ 16,084,599	66%
U.S. Government Treasuries	Not Rated	1,676,599	7%
U.S. Government Agencies	AAA	3,620,731	15%
U.S. Government Agencies	Not Rated	3,012,131	12%
Total		<u>\$ 24,394,060</u>	
Municipal Bonds	AA1	\$ 161,206	65%
Municipal Bonds	AA2	87,308	35%
Total		<u>\$ 248,514</u>	
Corporate Bonds	AAA	\$ 3,155,757	11.29%
Corporate Bonds	AA1	998,708	3.57%
Corporate Bonds	AA2	2,672,752	9.56%
Corporate Bonds	AA3	2,246,986	8.04%
Corporate Bonds	A1	2,763,171	9.89%
Corporate Bonds	A2	4,620,691	16.53%
Corporate Bonds	A3	2,719,908	9.73%
Corporate Bonds	BAA1	3,200,434	11.45%
Corporate Bonds	BAA2	3,582,595	12.82%
Corporate Bonds	BAA3	747,177	2.67%
Corporate Bonds	BA1	285,842	1.02%
Corporate Bonds	BA2	275,116	0.98%
Corporate Bonds	BA3	106,500	0.38%
Corporate Bonds	B1	208,250	0.75%
Corporate Bonds	B3	100,500	0.36%
Corporate Bonds	Not Rated	264,260	0.95%
Total		<u>\$ 27,948,647</u>	<u>100.00%</u>

Custodial Credit Risk – The County’s Retirement Investment Policy limits investments, other than those in U.S. Government or other federal agencies, to no more than 5% of the total market value of the fixed income portfolio. No limitations are placed on investments in U.S. government guaranteed obligations and fully backed Federal Agency Obligations. The policy states no more than 5% of the total equity holdings of the entire fund shall be invested in the securities of any one issuer.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Erie County Employee Pension Retirement Fund (Continued)

More than 5% of the County's retirement fund investments are in U.S. Government Treasuries and Federal Home Loan Mortgage Company securities. These investments are 73% and 27% respectively of the County's total investments in U.S. Government Agencies.

Pleasant Ridge Manor (PRM) – Component Unit

At December 31, 2010, Pleasant Ridge Manor's deposits had a carrying amount of \$3,012,803 and a bank balance of \$3,512,101, of which \$500,000 was covered by federal deposit insurance and \$3,012,101 was covered by collateral held under the pooling method.

	Bank	Book
Component Unit		
Cash and Cash Equivalents	\$ 1,184,987	\$ 697,114
Investments	477,842	477,842
Restricted Cash		
Cash and Cash Equivalents	2,327,114	2,315,689
Investments	335,000	335,000
Total Restricted Cash	2,662,114	2,650,689
Total	\$ 4,324,943	\$ 3,825,645

As of December 31, 2010, Pleasant Ridge Manor had the following debt investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Certificate of Deposits	\$ 335,000	\$ 335,000	\$ -	\$ -	\$ -
U.S. Treasury Note	436,805	266,231	170,574	-	-
Common Stock	41,037	41,037	-	-	-
Total	\$ 812,842	\$ 642,268	\$ 170,574	\$ -	\$ -

Custodial Credit Risk – For Deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, Pleasant Ridge Manor will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. At December 31, 2010, \$3,012,101 of Pleasant Ridge Manor's deposits were exposed to custodial credit risk, as they are collateralized with securities held by the pledging financial institution and uninsured. None of Pleasant Ridge Manor's investments were exposed to custodial credit risk at December 31, 2010.

Concentration of Credit Risk – Pleasant Ridge Manor's investment policy for pooled and self-insurance funds are to invest in U.S. Government of Federal agency securities for which there is no limit to the investment amount.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Pleasant Ridge Manor's investment policy is to invest funds to meet its projected cash flow requirements. Investments are made at the discretion of the Pleasant Ridge Manor as long as such investments are made at approved financial institutions and are fully collateralized by securities with a fair value equal to or exceeding the cost of the investment. Investments must be made in accordance with the Commonwealth of Pennsylvania's Act 72 and the financial institution must be on the County Council's approval list.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Erie County Gaming Revenue Authority – Component Unit

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. As of March 31, 2010, \$1,400,663 of the Authority's bank balance of \$1,650,663 was exposed to custodial credit risk.

NOTE 3: RESTRICTED CASH

Erie County Care Management, Inc. will make payments on behalf of certain clients' funds which are held in trust. The restricted cash that is in trust by ECCM as of December 31, 2010, is valued at \$340,647.

NOTE 4: RECEIVABLES

Receivables as of December 31, 2010 for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible account are as follows:

	General Fund	Mental Health/Mental Retardation	Children and Youth	Gaming Fund
Interest	\$ 3,920	\$ -	\$ -	\$ 5,743
Taxes	9,055,211	-	-	-
Federal & State Grants	-	-	11,305,043	-
Sub-provider Advances	-	2,210,715	-	-
Other	2,279,055	-	-	8,146,899
Gross receivables	11,338,186	2,210,715	11,305,043	8,152,642
Less: Allowance for Uncollectibles	(1,899,765)	-	-	-
	<u>\$ 9,438,421</u>	<u>\$ 2,210,715</u>	<u>\$ 11,305,043</u>	<u>\$ 8,152,642</u>
	Capital Projects	Health Choices	Other Non- Major Funds	Total
Interest	\$ 2,411	\$ -	\$ 2,619	\$ 14,693
Taxes	-	-	-	9,055,211
Federal & State Grants	-	12,766,810	4,522,146	28,593,999
Sub-provider Advances	-	-	-	2,210,715
Other	-	-	-	10,425,954
Gross receivables	2,411	12,766,810	4,524,765	50,300,572
Less: Allowance for Uncollectibles	-	-	-	(1,899,765)
	<u>\$ 2,411</u>	<u>\$ 12,766,810</u>	<u>\$ 4,524,765</u>	<u>\$ 48,400,807</u>

COUNTY OF ERIE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010

NOTE 4: RECEIVABLES (CONTINUED)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2010, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 5,375,504	\$ -
Grant draw downs prior to meeting all eligibility requirements	-	6,913,015
	<u>\$ 5,375,504</u>	<u>\$ 6,913,015</u>

Erie County Gaming Revenue Authority – Component Unit

The receivable balance at March 31, 2010 consists of the following:

2008 uncommitted funds and interest to distribute	\$ 6,188,082	
2009 uncommitted funds and interest to distribute	<u>5,464,347</u>	
	<u>\$ 11,652,429</u>	

NOTE 5: REAL ESTATE TAXES

Property taxes are levied as of January 1 on property values assessed as of the same date. Property taxes are due as of March 1. A two percent discount is allowed if the taxes are paid before May 1 and a ten percent penalty is added to all payments made after June 30. Property is subject to lien and penalties and interest.

Real estate taxes for the calendar year are invoiced on March 1 of each year. Unpaid real estate taxes attach as an enforceable lien on property as of January 1 of the following year. The County bills these taxes which are collected by elected local tax collectors. The County collects delinquent real estate taxes on behalf of itself and other taxing authorities.

The County is permitted by the County Code of the Commonwealth of Pennsylvania to levy real estate taxes up to 25 mills on every dollar of adjusted valuation for general County purposes exclusive of the requirements for the payment of interest and principal on funded debt.

The County's 2010 real estate taxes are based on assessed values established by the County's Bureau of Assessments. Assessed values of real property are generally 100% of the market value as determined by the Erie County Bureau of Assessments. The total March 1, 2010 assessed real estate taxes equaled \$68,257,856 based on a total County valuation of \$11,282,268,778. Based on the 2010 levy of 6.05 mills allocated for general purposes a property owner would pay \$6.05 per \$1,000 of assessed valuation.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 6: CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2010 was as follows:

Governmental Activities:

	December 31, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2010</u>
Capital assets not depreciated:				
Land	\$ 1,177,815	\$ -	\$ -	\$ 1,177,815
Construction in progress	365,305	-	(312,306)	52,999
Total capital assets not depreciated	<u>1,543,120</u>	-	<u>(312,306)</u>	<u>1,230,814</u>
Capital assets depreciated:				
Building and improvements	93,236,148	599,682	(9,025)	93,826,805
Vehicles	2,143,434	30,000	(54,138)	2,119,296
Furniture and equipment	22,015,457	354,781	(1,196,030)	21,174,208
Total assets depreciated	<u>117,395,039</u>	<u>984,463</u>	<u>(1,259,193)</u>	<u>117,120,309</u>
Less accumulated depreciation:				
Building and improvements	(38,951,076)	(3,714,051)	24,421	(42,640,706)
Vehicles	(1,902,399)	(147,766)	54,138	(1,996,027)
Furniture and equipment	(16,739,112)	(1,561,992)	1,128,669	(17,172,435)
Total accumulated depreciation	<u>(57,592,587)</u>	<u>(5,423,809)</u>	<u>1,207,228</u>	<u>(61,809,168)</u>
Total capital assets, being depreciated, net	<u>59,802,452</u>	<u>(4,439,346)</u>	<u>(51,965)</u>	<u>55,311,141</u>
Governmental activities capital assets, net	<u>\$ 61,345,572</u>	<u>\$ (4,439,346)</u>	<u>\$ (364,271)</u>	<u>\$ 56,541,955</u>

Depreciation expense was charged to function/programs of the primary government as follows:

Government Activities:

General Government	\$ 1,478,530
Courts and related office	216,997
Corrections	1,140,140
Community Service	1,849,115
Public Safety	67,437
Library	671,590
Total	<u>\$ 5,423,809</u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 6: CAPITAL ASSETS (CONTINUED)

Pleasant Ridge Manor

	December 31, 2009	Additions	Deletions	December 31, 2010
Capital assets, not being depreciated:				
Land	\$ 150,490	\$ -	\$ -	\$ 150,490
Construction in Progress	-	46,556	-	46,556
Total capital assets, not being depreciated	<u>150,490</u>	<u>46,556</u>	<u>-</u>	<u>197,046</u>
Capital assets depreciated:				
Land improvements	525,378	30,920	-	556,298
Buildings and improvements	19,173,347	22,038	-	19,195,385
Furniture and equipment	9,469,385	145,654	(185,378)	9,429,661
Total capital assets being depreciated	<u>29,168,110</u>	<u>198,612</u>	<u>(185,378)</u>	<u>29,181,344</u>
Less accumulated depreciation:				
Land improvements	(351,114)	(31,330)	-	(382,444)
Buildings and improvements	(14,870,761)	(627,739)	-	(15,498,500)
Furniture and equipment	(8,177,909)	(332,495)	185,378	(8,325,026)
Total accumulated depreciation	<u>(23,399,784)</u>	<u>(991,564)</u>	<u>185,378</u>	<u>(24,205,970)</u>
Total capital assets being depreciated, net	<u>5,768,326</u>	<u>(792,952)</u>	<u>-</u>	<u>4,975,374</u>
Total capital assets, net	<u>\$ 5,918,816</u>	<u>\$ (746,396)</u>	<u>\$ -</u>	<u>\$ 5,172,420</u>

NOTE 7: EMPLOYEE RETIREMENT TRUST FUND

Plan Description

The County sponsors the Erie County Employees' Retirement System, a single employer defined benefit plan that covers all full-time employees of the County and part-time employees exceeding 1,000 hours per year. The Plan provides retirement, disability, and death benefits to Plan members and their beneficiaries. Cost of living adjustments (COLA) are provided at the discretion of the County Retirement Board. The board is required to review COLA at least once every three years. The Board has granted an annual COLA each year since 1990 thru 2008 equal to 50% of the change in the Consumer Price Index. In 2009 the Board voted that there be no COLA to be paid in 2010 to the retirees.

The retirement Board consists of five members. Three are appointed County Council members, plus the Director of Finance and the County Controller. The authority to establish and amend the benefit provisions of the Plan rests with the Retirement Board as designated in the Home Rule Charter and Act 96 of 1971, the County Pension Law.

The Plan does not issue a stand-alone financial report. The financial activity is included as part of the Comprehensive Annual Financial Report of Erie County.

All fees related to the trustee and to the administrator are paid from the Plan assets.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 7: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Basis of Accounting

The financial statements of the pension trust fund are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value.

Membership

Membership of the plan consisted of the following at January 1, 2010, the date of the latest actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	533
Terminated Plan Members Entitled to, but not yet Receiving Benefits	120
Active Plan Members	<u>1,168</u>
 Total	 <u><u>1,821</u></u>

Economic Conditions

The negative events in the credit market as well as the general economic conditions in the United States and worldwide have caused a significant decrease in investment values either directly invested in or tied to the equity markets. Those declines, at present, are expected to be temporary and not permanent declines, however equity market recovery, if it occurs, may take some time. The major resulting impact of the equity market's decline on the County will be in the form of increased annual required contributions and increased pension expense with respect to its pension plan.

Contributions

Plan members are required to contribute 5% of their salary annual covered salary. The County is required to contribute at an actuarially determined rate. Per Act 96 of 1971, as amended, contribution requirements of the plan members and the County are established and may be amended by the General Assembly of the Commonwealth of Pennsylvania. Administrative costs may be financed through investment earnings.

The County's contribution to the Plan for the years ended December 31, 2010, 2009 and 2008, were \$4,318,312, \$6,067,903, and \$3,682,478, respectively, and are equal to the annual required contribution for each year.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 7: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Funding Status and Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was 88.4 percent funded. The actuarial accrued liability for benefits was \$200,552,000, and the actuarial value of the assets was \$177,343,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,209,000. The covered payroll (annual payroll of active employees covered by the plan) was \$43,890,000, and the ratio of the UAAL to the covered payroll was 52.9%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because this method does not identify or separately amortize unfunded actuarial accrued liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method for that purpose, and that the information presented is intended to serve as a surrogate for the funding progress of the plan.

Actuarial Valuation Information

The County has an actuarial valuation prepared on an annual basis. The following methods and assumptions were used to prepare the valuation:

Actuarial Cost Method:	Aggregate Actuarial Cost
Asset Valuation Method:	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.5% Compounded Annually
Projected Salary Increases	0% in 2011 and 2012, 3.25% in 2013 2014 and after 3.50%
Includes Inflation Rate	Investment Rate of Return and Projected Salary Increases includes a 3% Inflation Rate.
Cost of Living Adjustment	None Assumed

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 7: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Annual Pension Cost and Net Pension Obligation

The County's Annual Required Contribution for 2010 was determined as part of the January 1, 2010, actuarial valuation. The County's annual pension cost and net pension obligation to the Erie County Employee's Retirement System for 2010, was as follows:

Annual Required Contribution	\$ 4,318,312
Interest on Net Pension Obligation	(14,777)
Adjustment to Annual Required Contribution	<u>23,576</u>
Annual Pension Cost	4,327,111
Contribution	(4,318,312)
Change in Net Pension Obligation	8,799
Net Pension Obligation (Asset) - January 1, 2010	<u>(184,711)</u>
Net Pension Obligation (Asset) - December 31, 2010	<u><u>\$ (175,912)</u></u>

Annual Pension Cost - Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Asset (Obligation)</u>
December 31, 2008	\$ 3,691,559	99%	\$ 194,193
December 31, 2009	6,077,385	99%	184,711
December 31, 2010	4,327,111	99%	175,912

Pleasant Ridge Manor (PRM) – Component Unit

Plan Description

Pleasant Ridge Manor has a voluntary, contributory defined benefit pension plan covering all employees who choose to participate. The Plan is administered by a Committee appointed by Pleasant Ridge Manor's Board of Trustees. Plan assets are held in trust by PNC Bank.

The Plan provides for normal retirement benefits at age 60 (or 55 with 20 years credited service), and has provisions for deferred retirement and disability retirement. Benefits of the Plan are determined by multiplying a percentage of final average salary by years of credited service as defined by the plan. This benefit is supplemented by the accumulated amount of employee contributions plus credited interest. Employees generally become fully vested in employer contributions after 5 years of continuous service as defined by the Plan. Employees are immediately fully vested in their contributions to the Plan plus credited interest.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 7: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Pleasant Ridge Manor (PRM) – Component Unit (Continued)

Basis of Accounting

The Plan's financial statements have been prepared on the accrual basis of accounting.

Valuation of Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value.

Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Membership

Participation in the Plan at January 1, 2010 is as follows:

Current Employees	
Fully Vested	278
Non-Vested	72
Retirees currently receiving benefits	192
Terminated Participants entitled to future benefits	83
Ineligible due to age or service	<u>25</u>
Total	<u>650</u>

Economic Conditions

The negative events in the credit market as well as the general economic conditions in the United States and worldwide have caused a significant decrease in investment values either directly invested in or tied to the equity markets. Those declines, at present, are expected to be temporary and not permanent declines, however equity market recovery, if it occurs, may take some time. The major resulting impact of the equity market's decline on the County will be in the form of increased annual required contributions and increased pension expense with respect to its pension plan.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 7: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Pleasant Ridge Manor (PRM) – Component Unit (Continued)

Contribution

Employees who choose to participate in the Plan are required to contribute 6% of their annual compensation and may elect to contribute up to 16%. The funding policy of the Plan provides for employer contributions at actuarially determined rates that are sufficient to accumulate assets required to pay benefits when due.

The annual required contribution for the year ended December 31, 2010 was \$1,821,806. The annual required contribution for the current year was determined as part of January 1, 2010 Actuarial valuation using the smoothed market value method. The actuarial cost method used was the unit credit method. The actuarial assumption includes a 6.69% investment rate of return and projected salary increase of 4%, with both including an inflation component of 3%.

Statement of Fiduciary Net Assets

Assets:	
Cash and Cash Equivalents	\$ 2,087,565
Investments	
U.S. Government Securities	3,796,879
Mutual Funds - Fixed Income	3,601,584
Common Stock	8,519,118
ETF Equity	4,267,694
Mutual Funds - Equity	<u>11,029,827</u>
Total Investments	31,215,102
Receivables	
Interest and Dividends	41,724
Employer Contributions	<u>68,554</u>
Total Receivables	110,278
Total Assets	<u><u>\$ 33,412,945</u></u>
Net Assets:	
Held in Trust for Pension Benefits	<u><u>\$ 33,412,945</u></u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 7: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Pleasant Ridge Manor – Component Unit (Continued)

Statement of Changes in Fiduciary Net Assets

Additions:	
Contributions:	
Employee Contributions	\$ 1,050,637
Employer Contributions	1,821,806
Total Contributions	<u>2,872,443</u>
Investment Income:	
Net Appreciation	
in Fair Value of Investments	2,878,680
Interest	255,341
Dividends	354,919
Total Investment Income	<u>3,488,940</u>
Less: Investment Expense	<u>(213,676)</u>
Net Investment Income	3,275,264
Miscellaneous	1,614
Total Additions	<u>6,149,321</u>
Deductions:	
Benefits Payments	1,340,695
Withdrawals	452,366
Administrative Expenses	71,615
Total Deductions	<u>1,864,676</u>
Net Increase	4,284,645
Net assets Held in Trust for Pension Benefits, Beginning of Year	<u>29,128,300</u>
Net Assets Held in Trust for Pension Benefits, End of Year	<u>\$ 33,412,945</u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

In addition to the pension benefits described in Note 7, the County provides post-employment health insurance benefits through a single employer defined benefit plan. The benefits are established in accordance with the requirements set forth by the Retirement Board of Erie County to all retired full-time employees employed before January 23, 1992. County Council can amend the plan at any time. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established. The Plan does not issue a separate report and activity of the Plan is reported in the County's Internal Service Fund.

Hospitalization coverage as a retiree will be equivalent (single or dependant coverage) to that held by the individual at the time of retirement. As of December 31, 2010, 409 retired employees are covered by health insurance. The County's expenses for health insurance benefits were \$1,974,684 (\$2,741,232 net of retiree contributions of \$766,548) in 2010.

Funding Policy

The benefits are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium. The County covers the balance of the premium not paid by the retiree. Retiree and dependant coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependant until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium.

The County's annual OPEB cost is calculated based on the annual required contribution of the employers (ARC), an amount actually determined in accordance with the parameters of GASB Statement No. 45. The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is actually determined in accordance with the requirements, so that if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both normal cost for each year and the amortized unfunded liability.

The following table shows the component of the County's annual OPEB cost for the year, the amount actually contributed, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 5,618,609
Interest on net OPEB obligation	409,792
ARC Adjustment	<u>(689,568)</u>
Annual OPEB cost	5,338,833
Contributions made	(1,974,684)
Increase in net OPEB obligation	3,364,149
Net OPEB obligation - beginning of year	<u>10,244,807</u>
Net OPEB obligation - end of year	<u><u>\$ 13,608,956</u></u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed and the OPEB obligation were as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
December 31, 2008	\$ 5,218,870	33.49%	\$ 6,634,530
December 31, 2009	5,712,434	27.24%	10,244,807
December 31, 2010	5,338,833	36.99%	13,608,956

Funded Status and Funding Progress. As of January 1, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$68,756,700 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$68,756,700. The covered payroll was \$14,636,322, and the ratio of the UAAL to the covered payroll was 469.77%

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The ARC for the current year was computed as of December 31, 2010, using the following assumptions: (1) actuarial cost method projected unit credit; (2) amortization method level dollar; (3) amortization period 30 years on a closed basis; (4) discount rate of 4% compounded annually; (5) RP-2000 Mortality table for men and women; and (6) health care cost trend of 10%, grading to 1% per year to 5% per year.

NOTE 9: RISK MANAGMENT

Claims and Assessment

The county is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. Settled claims from these risks have exceeded commercial insurance coverage for 2008 by \$152,407, 2009 by \$93,793 and 2010 by \$124,822.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 9: RISK MANAGEMENT (CONTINUED)

Health Care – SOH Insurance

The County maintains a self-insurance program for health and prescription drug coverage for eligible employees on cost-reimbursement basis. Employees contribute \$21 or \$27 a month depending on single or dependent coverage election.

A stop-loss insurance contract executed with an insurance carrier covers independent claims in excess of \$250,000 up to \$1,000,000 maximum.

During the year ended December 31, 2010, total claims expenses and stop-loss insurance expenses were \$15,885,727. Claims expenses recorded as employee fringe expenditures represent claims processed as of December 31, 2010 and includes (\$535,544) claims payable.

The claims liability of \$535,544 is based on requirements of Governmental Accounting Standards Board (GASB) Statement No. 10, which was amended by GASB Statement No. 30, that requires a liability for claims be reported if information prior to the issuance of financial statements indicates that a liability had been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. The claim liability is recorded in the internal service fund accounts payable. Changes in the claims liability is as follows:

Claims Liability - Beginning of Year 1/1/09	\$ (575,731)
Current Year Premiums	13,341,040
Claims Payments and Administration	<u>(13,266,754)</u>
Claims Liability - End of Year 12/31/09	\$ (501,445)
Claims Liability - Beginning of Year 1/1/10	\$ (501,445)
Current Year Premiums	15,851,628
Claims Payments and Administration	<u>(15,885,727)</u>
Claims Liability - End of Year 12/31/10	\$ (535,544)

Future liability that may arise as a result of self-insurance is not readily determinable and cannot be reasonable estimated. Thus, the financial statements do not reflect a contingent liability for any unasserted claims. The County does not maintain a deposit with Highmark Blue Cross Blue Shield.

Pleasant Ridge Manor

Self Insurance Programs

Also under the employee benefit program, Pleasant Ridge Manor maintains a self-insured health insurance program. Under the plan, the Manor pays premiums based on actual experience as determined by the carrier. Employees contribute up to \$19 per pay period and may be subject to a co-pay depending on which option they have chosen. The balance of the costs is paid by Pleasant Ridge Manor. The statements do not reflect any liability for unasserted claims as the amount cannot be reasonably estimated. In connection with its self-insurance agreements, PRM has a standby letter of credit of \$1,700,000. The outstanding balance at December 31, 2010 is \$0.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 9: RISK MANAGEMENT (CONTINUED)

Pleasant Ridge Manor (Continued)

Self Insurance Programs (Continued)

The worker's compensation insurance for all of the employees of Pleasant Ridge Manor is self-insured with maximum stop loss of \$400,000 per occurrence. The fund was established to administer worker's compensation claims of the employees and minimize the total cost of annual worker's compensation insurance to Pleasant Ridge Manor.

The workers compensation estimated liability for unpaid claims is calculated by the actuary. The determination is based on paid losses times the factors for development, benefit and trend factors. Development factors account for claims that have been incurred but unreported as of the valuation date. Benefit factors account for the change in statutory benefit levels over the experience period. Trend factors account for the rate of inflation and change in the utilization of benefits during the experience period.

The following represents the changes in claims liability for the period January 1, 2009 to December 31, 2010:

	<u>2010</u>	<u>2009</u>
Claims Liability - Beginning of Year	\$ 440,806	\$ 500,033
Additions	445,096	574,397
Deletions	<u>(354,467)</u>	<u>(633,624)</u>
Claims Liability - End of Year	<u>\$ 531,435</u>	<u>\$ 440,806</u>

Pursuant to the employee benefit program, Pleasant Ridge Manor maintains a self-insurance program for prescription drugs. Under the Employee Prescription Plan, employees contribute a specified amount per prescription with the balance of the cost paid by PRM. PRM also maintains an insured health insurance program under which the ultimate premiums or contributions are based primarily on PRM's loss experiences. The plan includes certain stop loss provisions. The plan is operated on a calendar year. There is a co-pay that is collected from the employee with the balance of costs incurred by PRM.

A reconciliation of the change in medical health insurance claims payable is as follows:

	<u>2010</u>	<u>2009</u>
Claims Payable - December 31	\$ 134,019	\$ 202,548
Additions	5,229,562	5,156,480
Deletions	<u>(5,211,579)</u>	<u>(5,225,009)</u>
Claims Payable - December 31	<u>\$ 152,002</u>	<u>\$ 134,019</u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 10: LONG-TERM OBLIGATIONS

Long-term obligations outstanding at December 31, 2010, consisted of the following:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 93,750,000	\$ -	\$ 4,955,000	\$ 88,795,000	\$ 5,135,000
Less: Deferred Amounts:					
Bond Premium	2,160,751	-	237,132	1,923,619	-
Bond Discount	(584,831)	-	(40,276)	(544,555)	-
	<u>95,325,920</u>	<u>-</u>	<u>5,151,856</u>	<u>90,174,064</u>	<u>5,135,000</u>
Camtech Note Payable	782,148	-	149,247	632,901	157,927
Compensated Absences	<u>1,860,292</u>	<u>275,462</u>	<u>235,814</u>	<u>1,899,940</u>	<u>82,381</u>
	<u>\$ 97,968,360</u>	<u>\$ 275,462</u>	<u>\$ 5,536,917</u>	<u>\$ 92,706,905</u>	<u>\$ 5,375,308</u>

An analysis of debt service requirements to maturity on these obligations follows with the exception of accrued vacation pay, accrued sick time, workers' compensation liability, and capital lease obligations.

General obligation bonds are direct obligations of the County. Principal and interest payments are backed by the full faith, credit and taxing power of the County.

Compensated absences are liquidated by the general fund, mental health/mental retardation fund, health choices, children and youth and certain other non-major funds

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

<u>Year</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding December 31, 2010</u>	<u>Amounts Due Within One Year</u>
2003	\$ 40,650,000	<p><u>\$21,180,000 Series A</u> - The proceeds of the sale of the Series A Bonds were used to (a) currently refund General Obligation Bonds, Series of 1993 (b) pay the costs related to the issuance, 2.60% to 5.375% with a maturity date September 1, 2016.</p> <p><u>\$12,315,000 Series B</u> - The proceeds of the Series B Bonds were used to fund various capital projects designated by the County and related costs of the issuance, 1.0% to 5.375% with a maturity date September 1, 2023.</p> <p><u>\$7,155,000 Series C</u> - The proceeds of the Series C were used to make a grant to the Erie County Redevelopment Authority, for the creation of a revolving loan fund (b) and pay the costs related to the issuance, 1.460% to 6.0% with a maturity date September 1, 2023.</p>	\$ 20,415,000	\$ 2,520,000
2005	\$ 40,815,000	<p><u>\$11,945,000 Series A</u> - Advance refund certain of the County's General Obligation Bonds, Series B of 2003 maturing on and after September 1, 2014. (b) pay the cost related to the issuance, 3.25% to 5.50% maturity date September 1, 2023.</p> <p><u>\$25,835,000 Series B</u> - (a) fund various capital projects and (b) pay the cost related to the issuance, 3.25% to 5.0% maturity date September 1, 2025.</p> <p><u>\$3,035,000 Series C</u> - (a) Loan to the Greater Erie Industrial Development Corporation for development of an industrial park (b) and pay related cost to the issuance, 5.25% maturity date September 1, 2017.</p>	\$ 15,305,000	\$ 240,000

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

<u>Year</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding December 31, 2010</u>	<u>Amounts Due Within One Year</u>
2007	\$ 25,640,000	Refund on an advance refunding basis, a portion of the County's General Obligation Bonds, Series B of 2005 and pay related cost to the issuance, 3.60%-4.375% with maturity date September 1, 2025.	\$ 25,170,000	\$ 100,000
2008	\$ 22,055,000	Make capital improvements to the Erie Regional Airport, renovation of the Erie County Courthouse and other capital projects with the County and pay related cost to the issuance \$130,733 and bond premium \$596,855, 3.25% to 5.0% with a maturity date September 1, 2017.	\$ 17,700,000	\$ 2,270,000
2009	\$ 10,205,000	The proceeds will be used by the County to fund a grant to the Erie County Convention Center Authority for the construction of improvements and renovations to Tullio Arena, other capital projects and pay the cost related to the issuance \$79,484 and bond discount of \$121,706, 3.00% to 3.70%. Maturity date September 1, 2021.	\$ 10,205,000	\$ 5,000
Total General Long-Term Debt Obligations at December 31, 2010			<u>\$ 88,795,000</u>	<u>\$ 5,135,000</u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

Annual debt service requirement of maturity for general obligation bonds are as follows:

Year	2003 G.O. Bonds 1.00% to 6.00%		2005 G.O. Bonds 3.25 % to 5.25%		2007 G.O. Bonds 3.60 % to 4.375%	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 2,520,000	\$ 1,043,843	\$ 240,000	\$ 799,881	\$ 100,000	\$ 1,061,889
2012	2,620,000	946,140	250,000	787,281	100,000	1,058,239
2013	2,755,000	813,965	265,000	774,156	105,000	1,054,589
2014	2,875,000	686,945	280,000	760,244	110,000	1,050,704
2015	3,030,000	533,589	295,000	745,544	115,000	1,046,634
2016-2020	4,975,000	1,044,139	8,370,000	2,915,243	6,635,000	4,899,364
2021-2025	1,640,000	200,700	5,605,000	627,550	18,005,000	2,759,110
Total	<u>\$ 20,415,000</u>	<u>\$ 5,269,321</u>	<u>\$ 15,305,000</u>	<u>\$ 7,409,899</u>	<u>\$ 25,170,000</u>	<u>\$ 12,930,529</u>

Year	2008 G.O. Bonds 3.25% to 5.00%		2009 G.O. Bonds 3.00% to 3.70%	
	Principal	Interest	Principal	Interest
2011	\$ 2,270,000	\$ 681,600	\$ 5,000	\$ 356,393
2012	2,345,000	607,825	5,000	356,243
2013	2,430,000	525,750	5,000	356,093
2014	2,510,000	440,700	5,000	355,943
2015	2,600,000	352,850	5,000	355,790
2016-2020	5,545,000	362,450	7,505,000	1,535,188
2021-2025	-	-	2,675,000	98,975
2025	-	-	-	-
Total	<u>\$ 17,700,000</u>	<u>\$ 2,971,175</u>	<u>\$ 10,205,000</u>	<u>\$ 3,414,625</u>

Year	Total Debt Service		Total Debt Service
	Principal	Interest	
2011	\$ 5,135,000	\$ 3,943,606	\$ 9,078,606
2012	5,320,000	3,755,728	9,075,728
2013	5,560,000	3,524,553	9,084,553
2014	5,780,000	3,294,536	9,074,536
2015	6,045,000	3,034,407	9,079,407
2016-2020	33,030,000	10,756,384	43,786,384
2021-2025	27,925,000	3,686,335	31,611,335
Total	<u>\$ 88,795,000</u>	<u>\$ 31,995,549</u>	<u>\$ 120,790,549</u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

Short Term Debt

During 2010, the County borrowed \$18,000,000 as a short term tax revenue anticipation note. The tax revenue anticipation note was paid off before December 31, 2010.

Component Unit – Pleasant Ridge Manor (PRM)

Bonds Payable

On July 1 1976, RPM entered into a lease for its assets with the Erie County Hospital Authority ("Authority), a financing agency. The assets were then leased to the Authority and the transaction was financed with guaranteed gross revenue bonds of the Authority. Through various subleases, PRM retained the right to continue to use the assets. Then in 1984, the Authority issued additional bonds to finance the cost of certain additions at PRM and to provide additional working capital.

In 1993, the Authority issued the Guaranteed Revenue Refunding Bonds, Series 1993 which refunded certain previously issued debt. In connection with this refinancing, the terms of the previous leases and subleases were restructured so that the future sub-lease made by PRM to the Trustee, along with funds previously deposited with the Trustee, including interest earning on those funds, will be sufficient for the Trustee to make all principal and interest payments on all the outstanding bonds. The Authority lease payable was adjusted to the net present value of all required payments by PRM with the difference between the principal obligation and the restructured lease recorded as a loss on restructuring of the lease payable. The debt is effectively debt of PRM and is guaranteed by the County. Therefore, it is recorded in PRM's financial statements as bonds payable.

The following is a schedule of the future sub-lease payments, along with the maturity value of the related bonds as of December 31, 2010:

<u>Year Ended</u> <u>December 31</u>	<u>Maturity Value</u>
2011	<u>\$ 1,490,000</u>
Total	<u>\$ 1,490,000</u>
Outstanding maturity value as of December 31, 2010	\$ 1,490,000
Current Year Accreted Value	<u>43,425</u>
Total Accreted Value at December 31, 2010	<u>\$ 1,446,575</u>

Changes in the Authority bonds payable and related accrued interest for the year ended December 31, 2010 is as follows:

<u>Beginning</u> <u>Balance</u>	<u>Accreted</u> <u>Amount</u>	<u>Additions</u>	<u>Reduction</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Year</u>
\$ 1,950,633	\$ 160,942	\$ -	\$ 665,000	\$ 1,446,575	\$ 1,446,575

COUNTY OF ERIE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010

NOTE 11: NOTE PAYABLE

On July 15, 2005, Erie County borrowed \$1,502,613 at 5.4% interest to payoff the Camtech loan plus interest and other costs. This note requires semi-annual payments of \$95,000 starting Sept 1, 2005 through September 1, 2014 for amortization of principal and interest. The outstanding note due as of December 31, 2010 is \$632,901.

<u>Year Ended</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2011	\$ 157,927	\$ 32,073	\$ 190,000
2012	166,570	23,430	190,000
2013	175,686	14,314	190,000
2014	<u>132,718</u>	<u>4,698</u>	<u>137,416</u>
	<u>\$ 632,901</u>	<u>\$ 74,515</u>	<u>\$ 707,416</u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 12: SUMMARY DATA FOR COMPONENT UNITS

	Pleasant Ridge Manor	Erie County Gaming Authority	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 697,114	\$ -	\$ 697,114
Investments	477,842	1,650,763	2,128,605
Receivables, net	3,871,300	11,652,429	15,523,729
Inventories	299,875	-	299,875
Prepaid items	73,514	-	73,514
Other current assets	10,370	-	10,370
Total current assets	5,430,015	13,303,192	18,733,207
Noncurrent assets:			
Restricted assets	2,650,689	-	2,650,689
Other non current assets	7,507	-	7,507
Net pension asset	121,914	-	121,914
Net capital assets	5,172,420	-	5,172,420
Total noncurrent assets	7,952,530	-	7,952,530
Total assets	\$ 13,382,545	\$ 13,303,192	\$ 26,685,737
Liabilities:			
Current liabilities:			
Total current liabilities	\$ 4,894,002	\$ -	\$ 4,894,002
Noncurrent liabilities:			
Total noncurrent liabilities	521,104	-	521,104
Total liabilities	5,415,106	-	5,415,106
Net Assets:			
Invested in capital assets, net of related debt	3,725,845	-	3,725,845
Restricted	1,490,202	3,840,510	5,330,712
Unrestricted	2,751,392	9,462,682	12,214,074
Total net assets	7,967,439	13,303,192	21,270,631
Total liabilities and net assets	\$ 13,382,545	\$ 13,303,192	\$ 26,685,737

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 12: SUMMARY DATA FOR COMPONENT UNITS (Continued)

Condensed statements of activities for component units.

	Pleasant Ridge Manor	Erie County Gaming Authority	Total
Expenses	\$ 33,462,831	\$ 33,181	\$ 33,496,012
Program revenues:			
Charges for services	31,858,234	11,427,961	43,286,195
Operating grants and contributions	596,468	-	596,468
Total Program Revenues	32,454,702	11,427,961	43,882,663
General revenues:			
Investment/interest earnings	9,469	272,687	282,156
Other revenue	33,710	-	33,710
Total General Revenues	43,179	272,687	315,866
Change in net assets	(964,950)	11,667,467	10,702,517
Net assets, beginning of year	8,932,389	1,635,725	10,568,114
Net assets, end of year	\$ 7,967,439	\$ 13,303,192	\$ 21,270,631

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 13: INTERFUND BALANCES

The County affects a variety of transactions between its funds. These transactions are performed in the normal course of transacting County business in order for certain funds to cover the expenses of the other funds until those funds receive available resources in order to repay the amount. In addition, certain funds may receive funds that are due to other funds and have not disbursed the funds at year-end. The individual inter-fund receivable and payable balances at year end are as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Fund Types</u>		
General Fund	\$ 7,479,839	\$ 7,594,521
MH/MR	3,155,993	268,653
Drug and Alcohol	468,217	30,478
Health Choices	-	35,248
Children and Youth	45,472	7,435,527
Domestic Relations	-	876,078
Planning	37,992	17,810
Library Fund	1,004,274	167,195
Public Health	415,000	433,135
Public Safety	-	657,248
Gaming	-	6,108
Capital Projects	1,158,701	23,303
Total Government Fund Types	<u>13,765,488</u>	<u>17,545,304</u>
 <u>Proprietary Fund Type</u>		
Internal Service Fund	<u>3,779,816</u>	<u>-</u>
 Total	 <u>\$ 17,545,304</u>	 <u>\$ 17,545,304</u>

The County affects a variety of transaction between its funds. Transfers occur if a certain fund is required to or is utilized to fund the operations of another. The majority of the transfers are from the General Fund in order to cover the operating expenses of other funds. A summary of transfers is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Fund Types</u>		
General Fund	\$ 1,962,031	\$ 21,207,391
Drug and Alcohol	282,365	-
Debt Service	5,949,391	10,750
MH/MR	912,423	-
Domestic Relations	1,124,800	256,764
Children and Youth	7,238,217	108,000
Planning	483,327	-
Library Fund	4,150,526	-
Public Health	1,121,700	-
Public Safety	1,634,727	690,085
Gaming	10,750	2,597,267
Governmental Fund Types	<u>\$ 24,870,257</u>	<u>\$ 24,870,257</u>

COUNTY OF ERIE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010

NOTE 14: OPERATING LEASES

The County leases building and office facilities and other equipment under noncancellable operating leases. Total costs for such leases were \$1,092,963 for the ended December 31, 2010. The future minimum lease payments for these are as follows:

<u>Year Ending</u>	<u>Amount</u>
2011	\$ 841,813
2012	586,116
2013	540,566
2014	506,371
2015	454,014
2016-2018	<u>711,526</u>
	<u>\$ 3,640,406</u>

NOTE 15: LITIGATION

In the normal course of business, there are various claims and suits pending against the County and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the County's financial position at December 31, 2010.

Erie County Gaming Revenue Authority – Component Unit

Based on a Court Order dated May 13, 2010, \$3,840,510 of the Gaming Authority's revenue previously allocated as "uncommitted funds" is to be held pending disposition of the appeals related to these funds.

NOTE 16: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN MAJOR FUNDS

Special Revenue and Capital funds expenditures exceeded the amount budgeted for the following funds:

<u>Special Revenue Funds</u>	
Mental Health/Mental Retardation	\$ 716,898
Health Chocies	6,766,177
Gaming Fund	1,053,442

The over expenditures in the Special Revenue Funds were funded by additional grant revenues.

NOTE 17: SUBSEQUENT EVENTS

Tax and Revenue Anticipation Note

In January 2011, the County issued a Tax and Revenue Anticipation Note with a financial institution in the aggregate principal amount of \$18,000,000 at a fixed interest rate of 1.80%.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

COUNTY OF ERIE
 REQUIRED SUPPLEMENTARY INFORMATION
 EMPLOYEE RETIREMENT PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS

Schedule of Employer Contributions - Trend Information

<u>Years Ended</u>	<u>Annual Required Contributions ("ARC")</u>	<u>Percentage of ARC Contributed</u>
December 31, 2005	\$ 1,633,741	100%
December 31, 2006	1,909,487	100%
December 31, 2007	2,818,972	100%
December 31, 2008	3,682,475	100%
December 31, 2009	6,067,903	100%
December 31, 2010	4,318,312	100%

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial Cost Method:	Aggregate Actuarial Cost
Asset Valuation Method:	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.5% Compounded Annually
Projected Salary Increases	0% in 2011 and 2012, 3.25% in 2013 and 3.50% in 2014 and after
Includes Inflation Rate	Investment Rate of Return and Projected Salary Increases includes a 3% Inflation Rate.
Cost of Living Adjustment	None Assumed

SCHEDULE OF FUNDING PROGRESS *
 (Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Liability (AAL) Entry Age (b)</u>	<u>Excess of Assets over AAL (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Excess of Assets Over AAL as a Percentage of Covered Payroll ((a-b)/c)</u>
01/01/2009	\$ 154,229	\$ 177,114	\$ (22,885)	87.1%	\$ 44,830	-51.0%
01/01/2010	170,697	186,142	(15,445)	91.7%	45,265	-34.1%
01/01/2011	177,343	200,552	(23,209)	88.4%	43,890	-52.9%

* The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. Information about the funded status and funding progress was prepared using the entry age actuarial cost method for that purpose and is intended to serve as a surrogate for the funded status and funding progress of the plan.

COUNTY OF ERIE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFITS OTHER THAN
 PENSIONS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Actuarial (AAL)-PUC (b)	Unfunded Actuarial Accrued Liability Actuarial (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
12/31/08	\$ -	\$65,474,578	\$65,474,578	0%	\$ 15,619,721	419.18%
12/31/09	-	68,756,700	68,756,700	0%	14,636,322	469.77%
12/31/10	-	68,756,700	68,756,700	0%	13,585,776	506.09%

The County adopted GASB 45 in 2007 on a prospective basis.

COUNTY OF ERIE, PENNSYLVANIA
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS

1. General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Revenues of this fund are primarily derived from real estate taxes, Commonwealth and Federal grants, and fees for services. Many of the basic activities of the County are accounted for in this fund, including operation of general County government, boards, the court system, and public safety activities.

2. Mental Health/Mental Retardation Fund

This fund administers local agency providers of mental health and mental retardation services. The fund also administers various programs for transportation, adult services, and in home health.

3. Children and Youth

This fund accounts for the child protective services, day care and a juvenile detention center.

4. Health Choices Fund

This fund accounts for the medical assistance funding for mental health, drug and alcohol and children services programs.

5. Gaming Fund

This fund is provided by revenue received from the operation of Presque Isle Downs and Casino. One half of the funds support regional assets, including the County Public Library and various administrative costs and projects as determined by County Council. The remaining half is restricted to operating and capital projects for contiguous municipalities that result from the operation of the casino. Restricted funds that are not committed by March 31st of the following year are transferred to the Erie County Gaming Revenue Authority. Erie County Gaming Revenue Authority allocates these funds based upon their distribution plan.

COUNTY OF ERIE, PENNSYLVANIA

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real Estate Taxes	\$ 67,808,847	\$ 67,808,847	\$ 68,340,246	\$ 531,399
Hotel Tax	2,663,840	2,663,840	2,948,646	284,806
Federal, State and Municipal Grants	5,325,912	5,429,673	6,485,203	1,055,530
Charges for Services	12,456,110	10,605,385	11,059,767	454,382
Interest Income	117,000	117,000	56,160	(60,840)
Other Revenue	56,825	57,325	87,837	30,512
Total Revenues	88,428,534	86,682,070	88,977,859	2,295,789
EXPENDITURES				
Current:				
General Government	16,205,660	14,394,796	14,243,236	151,560
Courts and Related Offices	17,787,165	17,842,441	17,035,036	807,405
Corrections	24,134,182	23,934,165	23,304,033	630,132
Community Services	3,768,732	4,853,898	5,328,216	(474,318)
Capital Outlay	485,105	1,289,945	894,860	395,085
Debt Service	550,000	530,431	305,004	225,427
Total Expenditures	62,930,844	62,845,676	61,110,385	1,735,291
Excess of Revenues Over (Under) Expenditures	25,497,690	23,836,394	27,867,474	4,031,080
Other Financing Sources (Uses)				
Transfer Out to Component Units	(577,475)	-	-	-
Transfer In	1,962,495	1,962,495	1,962,031	(464)
Transfer Out	(26,090,297)	(26,232,623)	(21,207,391)	5,025,232
Total Other Financing sources (Uses)	(24,705,277)	(24,270,128)	(19,245,360)	5,024,768
Net Change in Fund Balance	792,413	(433,734)	8,622,114	9,055,848
Fund Balance, Beginning of Year	22,414,760	22,414,760	22,414,760	-
Fund Balance, End of Year	\$ 23,207,173	\$ 21,981,026	\$ 31,036,874	\$ 9,055,848

COUNTY OF ERIE, PENNSYLVANIA
Mental Health/Mental Retardation
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 27,650,197	\$ 29,116,558	\$ 29,996,656	\$ 880,098
Interest Income	50,000	15,000	9,101	(5,899)
Other Revenue	36,000	59,250	89,526	30,276
Total Revenues	27,736,197	29,190,808	30,095,283	904,475
EXPENDITURES				
Current:				
Community Services	28,808,697	30,260,808	30,965,230	(704,422)
Capital Outlay	27,500	30,000	42,476	(12,476)
Total Expenditures	28,836,197	30,290,808	31,007,706	(716,898)
Excess of Revenues Over (Under) Expenditures	(1,100,000)	(1,100,000)	(912,423)	187,577
Other Financing Sources (Uses)				
Transfer In	1,100,000	1,100,000	912,423	(187,577)
Total Other Financing Sources (Uses)	1,100,000	1,100,000	912,423	(187,577)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -

COUNTY OF ERIE, PENNSYLVANIA

Children and Youth

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 58,886,687	\$59,000,122	\$59,842,198	\$ 842,076
Charges for Services	660,759	660,759	787,529	126,770
Interest Income	19,500	19,500	915	(18,585)
Other Revenue	10,050	10,050	-	(10,050)
Total Revenues	59,576,996	59,690,431	60,630,642	940,211
EXPENDITURES				
Current:				
Corrections	15,121,856	15,121,856	14,251,980	869,876
Community Services	55,654,773	55,774,594	53,424,651	2,349,943
Capital Outlay	16,940	16,940	84,228	(67,288)
Total Expenditures	70,793,569	70,913,390	67,760,859	3,152,531
Excess of Revenues Over (Under) Expenditures	(11,216,573)	(11,222,959)	(7,130,217)	4,092,742
Other Financing Sources (Uses)				
Transfer In	11,324,573	11,330,959	7,238,217	(4,092,742)
Transfer Out	(108,000)	(108,000)	(108,000)	-
Total Other Financing Sources (Uses)	11,216,573	11,222,959	7,130,217	(4,092,742)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -

COUNTY OF ERIE, PENNSYLVANIA

Health Choices

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 66,156,920	\$ 68,449,439	\$75,299,295	\$ 6,849,856
Charges for Services	-	-	1,743,862	1,743,862
Interest Income	21,000	23,880	20,880	(3,000)
Total Revenues	66,177,920	68,473,319	77,064,037	8,590,718
EXPENDITURES				
Current:				
Community Services	66,158,920	68,467,646	75,239,496	(6,771,850)
Capital Outlay	19,000	5,673	-	5,673
Total Expenditures	66,177,920	68,473,319	75,239,496	(6,766,177)
Excess of Revenues Over (Under) Expenditures	-	-	1,824,541	1,824,541
Other Financing Sources (Uses)				
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
Total Other Financing sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	1,824,541	1,824,541
Fund Balance, Beginning of Year	2,328,154	2,328,154	2,328,154	-
Fund Balance, End of Year	\$ 2,328,154	\$ 2,328,154	\$ 4,152,695	\$ 1,824,541

COUNTY OF ERIE, PENNSYLVANIA

Gaming Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for Services	\$ 11,500,000	\$ 11,500,000	\$ 12,174,792	\$ 674,792
Interest Income	91,223	91,223	99,081	7,858
Total Revenues	11,591,223	11,591,223	12,273,873	682,650
EXPENDITURES				
Current:				
Community Services	5,513,574	5,513,574	12,597,409	(7,083,835)
Capital Outlay	6,030,393	6,030,393	-	6,030,393
Debt Service				
Principal	2,200,000	2,200,000	2,200,000	-
Interest	1,095,633	1,095,633	1,095,633	-
Total Expenditures	14,839,600	14,839,600	15,893,042	(1,053,442)
Excess of Revenues Over (Under) Expenditures	(3,248,377)	(3,248,377)	(3,619,169)	(370,792)
Other Financing Sources (Uses)				
Transfer In	-	-	10,750	10,750
Transfer Out	(2,597,267)	(2,597,267)	(2,597,267)	-
Total Other Financing Sources (Uses)	(2,597,267)	(2,597,267)	(2,586,517)	10,750
Net Change in Fund Balance	(5,845,644)	(5,845,644)	(6,205,686)	(360,042)
Fund Balance, Beginning of Year	21,097,329	21,097,329	21,097,329	-
Fund Balance, End of Year	\$ 15,251,685	\$ 15,251,685	\$ 14,891,643	\$ (360,042)

COUNTY OF ERIE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010

A. Budgets and Budgetary Accounting

The County's Budget is adopted on the modified accrual basis which is consistent with generally accepted accounting principles.

OTHER SUPPLEMENTARY INFORMATION

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**COUNTY OF ERIE, PENNSYLVANIA
NONMAJOR GOVERNMENTAL FUNDS**

Special Revenue Funds

1. Liquid Fuels

Tax funds received from the Commonwealth are passed through to local municipalities for road and bridge maintenance.

2. Domestic Relations

Title IV-D and incentive payments for child support collection offsetting aid to families with dependent children are matched with County funds to provide for administration of child support and related court orders.

3. Drug and Alcohol

Commonwealth funds are passed through local agency providers for identification and treatment programs.

4. Public Health

Funds provided by Act 315, Act 12, and other grants are used to administer personal health services and other health related programs.

5. Library

Funding comes primarily from the County with additional grants from the Commonwealth and certain local municipalities. Several branch libraries are operated throughout the County and the bookmobile service is also provided.

6. Planning

This fund administers numerous federal grants awarded to the County and/or municipalities of the County

7. Public Safety

This fund provides consolidated enhanced 911 dispatching funded by telephone surcharge from land lines, wireless and voice over internet protocol, and county tax dollars. Tax dollars and grants from PEMA fund the planning, training and response to public emergencies, hazardous spills and terrorist activities.

8. Erie County Care Management, Inc.

ECCM is a blended component unit which provides services to medicare eligible clients of the County's MH/MR, Drug and Alcohol, and Children and Youth Services.

COUNTY OF ERIE, PENNSYLVANIA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2010

Special Revenue Funds

ASSETS	Liquid Fuels	Domestic Relations	Drug and Alcohol	Public Health	Library Fund
Cash and Cash Equivalents	\$ 332,366	\$ 255,310	\$ 375,714	\$ -	\$ -
Restricted Cash and Cash Equivalents	-	-	-	-	-
Receivables, Net	-	931,208	-	503,274	2,611
Due from Other Funds	-	-	468,217	415,000	1,004,274
Prepaid Items	-	-	-	-	82,391
Total Assets	\$ 332,366	\$ 1,186,518	\$ 843,931	\$ 918,274	\$ 1,089,276
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ -	\$ 117,290	\$ 582,397	\$ 46,774	\$ 96,323
Accrued Liabilities	-	171,413	39,980	244,407	227,739
Client Funds Held in Trust	-	-	-	-	-
Due to Other Funds	-	876,078	30,478	433,135	167,195
Due to Other Taxing Units	-	-	-	-	-
Unearned Revenue	-	-	191,076	-	624,563
Total Liabilities	-	1,164,781	843,931	724,316	1,115,820
 FUND BALANCES					
Reserved for:					
Prepaid Items	-	-	-	-	82,391
Liquid Fuels	332,366	-	-	-	-
Public Safety	-	-	-	-	-
Debt Service	-	-	-	-	-
ECCM	-	-	-	-	-
Planning	-	-	-	-	-
Unreserved, Reported in:					
Special Revenue Funds	-	21,737	-	193,958	(108,935)
Total Fund Balances	332,366	21,737	-	193,958	(26,544)
Total Liabilities and Fund Balances	\$ 332,366	\$ 1,186,518	\$ 843,931	\$ 918,274	\$ 1,089,276

Special Revenue Funds

Planning Fund	Public Safety Fund	Erie County Care Management	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 444,230	\$ 1,927,418	\$ 791,393	\$ 4,126,431	\$ 1,768,791	\$ 5,895,222
-	-	340,647	340,647	-	340,647
957,729	224,480	1,904,966	4,524,268	497	4,524,765
37,992	-	-	1,925,483	-	1,925,483
-	481,861	34,850	599,102	-	599,102
<u>\$ 1,439,951</u>	<u>\$ 2,633,759</u>	<u>\$ 3,071,856</u>	<u>\$ 11,515,931</u>	<u>\$ 1,769,288</u>	<u>\$ 13,285,219</u>
\$ 134,133	\$ 218,022	\$ 20,798	\$ 1,215,737	\$ -	\$ 1,215,737
19,998	110,964	357,418	1,171,919	-	1,171,919
-	-	340,647	340,647	-	340,647
17,810	657,248	-	2,181,944	-	2,181,944
345,653	-	-	345,653	-	345,653
430,847	1,998	544,624	1,793,108	-	1,793,108
<u>948,441</u>	<u>988,232</u>	<u>1,263,487</u>	<u>7,049,008</u>	<u>-</u>	<u>7,049,008</u>
-	481,861	34,850	599,102	-	599,102
-	-	-	332,366	-	332,366
-	1,594,690	-	1,594,690	-	1,594,690
-	-	-	-	1,769,288	1,769,288
-	-	1,773,519	1,773,519	-	1,773,519
491,510	-	-	491,510	-	491,510
<u>-</u>	<u>(431,024)</u>	<u>-</u>	<u>(324,264)</u>	<u>-</u>	<u>(324,264)</u>
<u>491,510</u>	<u>1,645,527</u>	<u>1,808,369</u>	<u>4,466,923</u>	<u>1,769,288</u>	<u>6,236,211</u>
<u>\$ 1,439,951</u>	<u>\$ 2,633,759</u>	<u>\$ 3,071,856</u>	<u>\$ 11,515,931</u>	<u>\$ 1,769,288</u>	<u>\$ 13,285,219</u>

COUNTY OF ERIE, PENNSYLVANIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2010

Special Revenue Funds

	<u>Liquid Fuels</u>	<u>Domestic Relations</u>	<u>Drug and Alcohol</u>	<u>Public Health</u>	<u>Library Fund</u>
REVENUES					
Federal, State and Municipal Grants	\$ 768,514	\$ 3,470,667	\$ 5,320,233	\$ 5,407,983	\$ 1,585,106
Charges for Services	-	114,174	311,657	450,712	220,462
Interest Income	392	1,280	-	66	-
Other Income	-	-	-	52,730	97,954
Total Revenues	<u>768,906</u>	<u>3,586,121</u>	<u>5,631,890</u>	<u>5,911,491</u>	<u>1,903,522</u>
EXPENDITURES					
Current:					
Courts and Related Offices	-	4,470,363	-	-	-
Community Services	-	-	5,902,861	-	-
Public Health	-	-	-	7,002,502	-
Public Works	683,726	-	-	-	-
Library	-	-	-	-	6,132,786
Other	-	-	-	-	-
Capital Outlay	-	-	11,394	93,899	7,995
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>683,726</u>	<u>4,470,363</u>	<u>5,914,255</u>	<u>7,096,401</u>	<u>6,140,781</u>
Excess of Revenues Over (Under) Expenditures	<u>85,180</u>	<u>(884,242)</u>	<u>(282,365)</u>	<u>(1,184,910)</u>	<u>(4,237,259)</u>
Other Financing Sources (Uses)					
Transfers In	-	1,124,800	282,365	1,121,700	4,150,526
Transfers Out	-	(256,764)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>868,036</u>	<u>282,365</u>	<u>1,121,700</u>	<u>4,150,526</u>
Net change in fund balance	85,180	(16,206)	-	(63,210)	(86,733)
Fund Balances, Beginning of Year	247,186	37,943	-	257,168	60,189
Fund Balances, End of Year	<u>\$ 332,366</u>	<u>\$ 21,737</u>	<u>\$ -</u>	<u>\$ 193,958</u>	<u>\$ (26,544)</u>

Special Revenue Funds

Planning Fund	Public Safety Fund	Erie County Care Management	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 2,118,510	\$ 1,738,237	\$ 8,626,781	\$ 29,036,031	\$ -	\$ 29,036,031
296,681	1,822,283	1,360,269	4,576,238	-	4,576,238
-	2,796	1,974	6,508	9,847	16,355
400,000	7,194	1,369	559,247	-	559,247
<u>2,815,191</u>	<u>3,570,510</u>	<u>9,990,393</u>	<u>34,178,024</u>	<u>9,847</u>	<u>34,187,871</u>
-	-	-	4,470,363	-	4,470,363
3,118,659	5,173,914	8,940,403	23,135,837	-	23,135,837
-	-	-	7,002,502	-	7,002,502
-	-	-	683,726	-	683,726
-	-	-	6,132,786	-	6,132,786
-	-	-	-	5,889	5,889
-	80,210	476,907	670,405	-	670,405
-	-	-	-	2,904,246	2,904,246
-	-	-	-	3,050,947	3,050,947
<u>3,118,659</u>	<u>5,254,124</u>	<u>9,417,310</u>	<u>42,095,619</u>	<u>5,961,082</u>	<u>48,056,701</u>
<u>(303,468)</u>	<u>(1,683,614)</u>	<u>573,083</u>	<u>(7,917,595)</u>	<u>(5,951,235)</u>	<u>(13,868,830)</u>
483,327	1,634,727	-	8,797,445	5,949,391	14,746,836
-	(690,085)	-	(946,849)	(10,750)	(957,599)
<u>483,327</u>	<u>944,642</u>	<u>-</u>	<u>7,850,596</u>	<u>5,938,641</u>	<u>13,789,237</u>
179,859	(738,972)	573,083	(66,999)	(12,594)	(79,593)
311,651	2,384,499	1,235,286	4,533,922	1,781,882	6,315,804
<u>\$ 491,510</u>	<u>\$ 1,645,527</u>	<u>\$ 1,808,369</u>	<u>\$ 4,466,923</u>	<u>\$ 1,769,288</u>	<u>\$ 6,236,211</u>

COUNTY OF ERIE, PENNSYLVANIA

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real Estate Taxes	\$ 67,808,847	\$ 67,808,847	\$ 68,340,246	\$ 531,399
Hotel Tax	2,663,840	2,663,840	2,948,646	284,806
Federal, State and Municipal Grants	5,325,912	5,429,673	6,485,203	1,055,530
Charges for Services	12,456,110	10,605,385	11,059,767	454,382
Interest Income	117,000	117,000	56,160	(60,840)
Other Revenue	56,825	57,325	87,837	30,512
Total Revenues	88,428,534	86,682,070	88,977,859	2,295,789
EXPENDITURES				
Current:				
General Government				
Council and Elections	1,342,646	1,339,121	1,246,011	93,110
Controller	351,519	351,519	352,784	(1,265)
County Executive	236,644	236,644	196,421	40,223
Solicitor	124,330	143,899	136,999	6,900
Personnel	353,767	384,385	290,965	93,420
Finance	4,064,054	3,952,191	3,765,139	187,052
Operations	4,242,018	2,849,434	2,680,327	169,107
Other	5,490,682	5,137,603	5,574,590	(436,987)
Total General Government	16,205,660	14,394,796	14,243,236	151,560
Courts and Related Offices				
Courts	4,872,361	4,872,361	4,772,667	99,694
District Justices	2,511,246	2,511,246	2,529,687	(18,441)
Clerk of Records	2,396,678	2,396,678	2,267,286	129,392
Sheriff	3,206,199	3,250,882	2,956,295	294,587
District Attorney	2,834,382	2,858,475	2,585,703	272,772
Coroner	572,806	572,806	553,274	19,532
Public Defender	1,393,493	1,379,993	1,370,124	9,869
Total Courts and Related Offices	17,787,165	17,842,441	17,035,036	807,405
Corrections				
Adult Probation	4,799,470	4,821,903	4,534,338	287,565
Corrections	15,990,375	15,728,875	15,572,316	156,559
Juvenile Probation	3,344,337	3,383,387	3,197,379	186,008
Total Corrections	24,134,182	23,934,165	23,304,033	630,132
Community Services				
Veterans Affairs	232,287	232,287	226,050	6,237
Economic Development	160,678	168,369	142,886	25,483
Grants to Others	3,375,767	4,453,242	4,959,280	(506,038)
Total Community Services	3,768,732	4,853,898	5,328,216	(474,318)
Capital Outlay				
General Government	80,880	649,818	566,636	83,182
Courts	233,510	487,622	295,790	191,832
Corrections	170,715	152,505	32,434	120,071
Community Services	-	-	-	-
Total Capital Outlay	485,105	1,289,945	894,860	395,085
Debt Service				
Principal	-	-	-	-
Interest	550,000	530,431	305,004	225,427
Total Debt Service	550,000	530,431	305,004	225,427
Total Expenditures	62,930,844	62,845,676	61,110,385	1,735,291
Excess of Revenues Over (Under) Expenditures	25,497,690	23,836,394	27,867,474	4,031,080
Other Financing Sources (Uses)				
Transfers Out Component Units	(577,475)	-	-	-
Transfer In	1,962,495	1,962,495	1,962,031	(464)
Transfer Out	(26,090,297)	(26,232,623)	(21,207,391)	5,025,232
Total Other Financing sources (Uses)	(24,705,277)	(24,270,128)	(19,245,360)	5,024,768
Net Change in Fund Balance	792,413	(433,734)	8,622,114	9,055,848
Fund Balance, Beginning of Year	22,414,760	22,414,760	22,414,760	-
Fund Balance, End of Year	\$ 23,207,173	\$ 21,981,026	\$ 31,036,874	\$ 9,055,848

COUNTY OF ERIE, PENNSYLVANIA

Liquid Fuels Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 675,000	\$ 722,500	\$ 768,514	\$ 46,014
Interest Income	900	900	392	(508)
Total Revenues	675,900	723,400	768,906	45,506
EXPENDITURES				
Current:				
Public Works	675,900	755,900	683,726	72,174
Total Expenditures	675,900	755,900	683,726	72,174
Excess of Revenues Over (Under) Expenditures	-	(32,500)	85,180	117,680
Other Financing Sources (Uses)				
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	(32,500)	85,180	117,680
Fund Balance, Beginning of Year	247,186	247,186	247,186	-
Fund Balance, End of Year	\$ 247,186	\$ 214,686	\$ 332,366	\$ 117,680

COUNTY OF ERIE, PENNSYLVANIA

Domestic Relations Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 3,569,396	\$ 3,569,396	\$ 3,470,667	\$ (98,729)
Charges for Services	142,800	142,800	114,174	(28,626)
Interest Income	1,100	1,100	1,280	180
Total Revenues	<u>3,713,296</u>	<u>3,713,296</u>	<u>3,586,121</u>	<u>(127,175)</u>
EXPENDITURES				
Current:				
Courts and Related Offices	4,595,173	4,595,173	4,470,363	124,810
Total Expenditures	<u>4,595,173</u>	<u>4,595,173</u>	<u>4,470,363</u>	<u>124,810</u>
Excess of Revenues Over (Under) Expenditures	(881,877)	(881,877)	(884,242)	(2,365)
Other Financing Sources (Uses)				
Transfer In	1,139,105	1,139,105	1,124,800	(14,305)
Transfer Out	(257,228)	(257,228)	(256,764)	464
Total Other Financing Sources (Uses)	<u>881,877</u>	<u>881,877</u>	<u>868,036</u>	<u>(13,841)</u>
Net Change in Fund Balance	-	-	(16,206)	(16,206)
Fund Balance, Beginning of Year	<u>37,943</u>	<u>37,943</u>	<u>37,943</u>	-
Fund Balance, End of Year	<u>\$ 37,943</u>	<u>\$ 37,943</u>	<u>\$ 21,737</u>	<u>\$ (16,206)</u>

COUNTY OF ERIE, PENNSYLVANIA

Drug and Alcohol Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 4,740,233	\$ 4,740,233	\$ 5,320,233	\$ 580,000
Charges for Services	200,000	200,000	311,657	111,657
Interest Income	1,000	1,000	-	(1,000)
Total Revenues	4,941,233	4,941,233	5,631,890	690,657
EXPENDITURES				
Current:				
Community Services	5,223,598	5,223,598	5,902,861	(679,263)
Capital Outlay	-	-	11,394	(11,394)
Total Expenditures	5,223,598	5,223,598	5,914,255	(690,657)
Excess of Revenues Over (Under) Expenditures	(282,365)	(282,365)	(282,365)	-
Other Financing Sources (Uses)				
Transfer In	282,365	282,365	282,365	-
Total Other Financing sources (Uses)	282,365	282,365	282,365	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF ERIE, PENNSYLVANIA

Public Health Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 6,375,627	\$ 5,894,296	\$ 5,407,983	\$ (486,313)
Charges for Services	467,320	467,320	450,712	(16,608)
Interest	100	100	66	(34)
Other	88,250	88,250	52,730	(35,520)
Total Revenues	6,931,297	6,449,966	5,911,491	(538,475)
EXPENDITURES				
Current:				
Public Health	8,279,674	7,726,573	7,002,502	724,071
Capital Outlay	7,150	101,049	93,899	7,150
Total Expenditures	8,286,824	7,827,622	7,096,401	731,221
Excess of Revenues Over (Under) Expenditures	(1,355,527)	(1,377,656)	(1,184,910)	192,746
Other Financing Sources (Uses)				
Transfer In	1,266,570	1,275,034	1,121,700	(153,334)
Total Other Financing Sources (Uses)	1,266,570	1,275,034	1,121,700	(153,334)
Net Change in Fund Balance	(88,957)	(102,622)	(63,210)	39,412
Fund Balance, Beginning of Year	257,168	257,168	257,168	-
Fund Balance(Deficit), End of Year	\$ 168,211	\$ 154,546	\$ 193,958	\$ 39,412

COUNTY OF ERIE, PENNSYLVANIA

Library Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 1,597,744	\$ 1,589,218	\$ 1,585,106	\$ (4,112)
Charges for Services	229,850	252,135	220,462	(31,673)
Other	7,500	96,329	97,954	1,625
Total Revenues	<u>1,835,094</u>	<u>1,937,682</u>	<u>1,903,522</u>	<u>(34,160)</u>
EXPENDITURES				
Current:				
Library	5,985,620	6,083,596	6,132,786	(49,190)
Capital Outlay	-	7,995	7,995	-
Total Expenditures	<u>5,985,620</u>	<u>6,091,591</u>	<u>6,140,781</u>	<u>(49,190)</u>
Excess of Revenues Over (Under) Expenditures	(4,150,526)	(4,153,909)	(4,237,259)	(83,350)
Other Financing Sources (Uses) Transfer In	4,150,526	4,150,526	4,150,526	-
Total Other Financing Sources (Uses)	<u>4,150,526</u>	<u>4,150,526</u>	<u>4,150,526</u>	<u>-</u>
Net Change in Fund Balance	-	(3,383)	(86,733)	(83,350)
Fund Balance, Beginning of Year	60,189	60,189	60,189	-
Fund Balance, End of Year	<u>\$ 60,189</u>	<u>\$ 56,806</u>	<u>\$ (26,544)</u>	<u>\$ (83,350)</u>

COUNTY OF ERIE, PENNSYLVANIA

Planning Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 3,884,159	\$ 4,384,159	\$ 2,118,510	\$ (2,265,649)
Charges for Services	341,737	366,737	296,681	(70,056)
Interest	20,000	20,000	-	(20,000)
Other	49,500	449,500	400,000	(49,500)
Total Revenues	4,295,396	5,220,396	2,815,191	(2,405,205)
EXPENDITURES				
Current:				
Community Services	4,795,663	5,720,663	3,118,659	2,602,004
Total Expenditures	4,795,663	5,720,663	3,118,659	2,602,004
Excess of Revenues Over (Under) Expenditures	(500,267)	(500,267)	(303,468)	196,799
Other Financing Sources (Uses)				
Transfer In	500,267	500,267	483,327	(16,940)
Total Other Financing sources (Uses)	500,267	500,267	483,327	(16,940)
Net Change in Fund Balance	-	-	179,859	179,859
Fund Balance, Beginning of Year	311,651	311,651	311,651	-
Fund Balance, End of Year	\$ 311,651	\$ 311,651	\$ 491,510	\$ 179,859

COUNTY OF ERIE, PENNSYLVANIA

Public Safety Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 1,312,388	\$ 1,315,174	\$ 1,738,237	\$ 423,063
Charges for Services	1,911,800	1,911,800	1,822,283	(89,517)
Interest	7,015	7,015	2,796	(4,219)
Other	7,000	14,051	7,194	(6,857)
Total Revenues	3,238,203	3,248,040	3,570,510	322,470
EXPENDITURES				
Current:				
Community Services	5,113,177	5,569,936	5,173,914	396,022
Capital Outlay	1,055,888	841,217	80,210	761,007
Total Expenditures	6,169,065	6,411,153	5,254,124	1,157,029
Excess of Revenues Over (Under) Expenditures	(2,930,862)	(3,163,113)	(1,683,614)	1,479,499
Other Financing Sources (Uses)				
Transfer In	2,069,731	2,197,207	1,634,727	(562,480)
Transfer Out	(690,085)	(690,085)	(690,085)	-
Total Other Financing Sources (Uses)	1,379,646	1,507,122	944,642	(562,480)
Net Change in Fund Balance	(1,551,216)	(1,655,991)	(738,972)	917,019
Fund Balance, Beginning of Year	2,384,499	2,384,499	2,384,499	-
Fund Balance, End of Year	\$ 833,283	\$ 728,508	\$ 1,645,527	\$ 917,019

COUNTY OF ERIE, PENNSYLVANIA

Erie County Care Management, Inc.

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 8,149,594	\$ 8,149,594	\$8,626,781	\$ 477,187
Charges for Services	1,120,800	1,120,800	1,360,269	239,469
Interest	-	-	1,974	1,974
Other	-	-	1,369	1,369
Total Revenues	9,270,394	9,270,394	9,990,393	719,999
EXPENDITURES				
Current:				
Community Services	9,224,644	9,224,644	8,940,403	284,241
Capital Outlay	45,750	45,750	476,907	(431,157)
Total Expenditures	9,270,394	9,270,394	9,417,310	(146,916)
Excess of Revenues Over Expenditures	-	-	573,083	573,083
Other Financing Sources (Uses)				
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	573,083	573,083
Fund Balance, Beginning of Year	1,235,286	1,235,286	1,235,286	-
Fund Balance, End of Year	<u>\$ 1,235,286</u>	<u>\$ 1,235,286</u>	<u>\$1,808,369</u>	<u>\$ 573,083</u>

COUNTY OF ERIE, PENNSYLVANIA

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest	\$ 12,006	\$ 12,006	\$ 9,847	\$ (2,159)
Total Revenues	<u>12,006</u>	<u>12,006</u>	<u>9,847</u>	<u>(2,159)</u>
EXPENDITURES				
Current:				
Other	6,200	6,200	5,889	311
Debt Service				
Principal	2,904,202	2,904,202	2,904,246	(44)
Interest	3,050,995	3,050,995	3,050,947	48
Total Expenditures	<u>5,961,397</u>	<u>5,961,397</u>	<u>5,961,082</u>	<u>315</u>
Excess of Revenues Over (Under) Expenditures	(5,949,391)	(5,949,391)	(5,951,235)	(1,844)
Other Financing Sources (Uses)				
Transfer In	5,949,391	5,949,391	5,949,391	-
Transfer Out	-	-	(10,750)	(10,750)
Total Other Financing Sources (Uses)	<u>5,949,391</u>	<u>5,949,391</u>	<u>5,938,641</u>	<u>(10,750)</u>
Net Change in Fund Balance	-	-	(12,594)	(12,594)
Fund Balance, Beginning of Year	<u>1,781,882</u>	<u>1,781,882</u>	<u>1,781,882</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,781,882</u></u>	<u><u>\$ 1,781,882</u></u>	<u><u>\$ 1,769,288</u></u>	<u><u>\$ (12,594)</u></u>

COUNTY OF ERIE, PENNSYLVANIA

Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-
Interest Income	-	-	118,205	118,205
Total Revenues	-	-	118,205	118,205
EXPENDITURES				
Current:				
Community Services	-	-	3,853,262	(3,853,262)
Capital Outlay	-	381,073	211,689	169,384
Total Expenditures	-	381,073	4,064,951	(3,683,878)
Excess of Revenues Over (Under) Expenditures	-	(381,073)	(3,946,746)	(3,565,673)
Other Financing Sources (Uses)				
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	(381,073)	(3,946,746)	(3,565,673)
Fund Balance, Beginning of Year	29,847,830	29,847,830	29,847,830	-
Fund Balance, End of Year	<u>\$ 29,847,830</u>	<u>\$ 29,466,757</u>	<u>\$ 25,901,084</u>	<u>\$ (3,565,673)</u>

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COUNTY OF ERIE, PENNSYLVANIA FIDUCIARY FUNDS

Fiduciary Funds

Tax Claim

Real estate taxes are collected by independent–elected tax collectors during the year in which they were levied by the various taxing authorities within the County. Taxes not collected are returned to the Tax Claim Bureau, which provides collection of delinquent county, municipal, and school district taxes, and outstanding costs, as well as disbursing the money received to appropriate taxing authorities. The Tax Claim Bureau is also responsible for filing liens for delinquent taxes of two or more years according to law.

Revenue Licenses

Proceeds from the sale of hunting, fishing, dog and bingo licenses are deposited into the State Fund and are remitted to various governmental units including the General Fund. Proceeds from the sale of temporary automobile licenses are deposited to the Temporary Automobile License fund and remitted to the Commonwealth with the County retaining a commission on each license sold.

Prison, Commissary, Inmate, and Work Release

The prison inmate account receives prisoners' cash upon entry into the prison and disburses the cash according to prisoner directives. The prisoners' cash is returned upon discharge. The prison Commissary Account receives cash from the Prison Inmate Account to pay for prisoners' purchases from the Commissary. The Inmate Account purchases Commissary inventory and supplies for prisoners. The Work Release Account receives paychecks from the work release program. Paychecks are used to cover costs such as room and board, fines and support. If funds are available after these deductions, the balance is returned to the defendant.

Domestic Relations

Child Support – Support accounts receive cash from defendants under Court order and disburse the cash to the designated party: either the Commonwealth or the Plaintiff. These accounts are maintained by Domestic Relations personnel responsible to the Judges of the Court of Common Pleas.

Magisterial District Judges

Magisterial District Court Accounts receive cash from defendants and distribute it to State, Municipalities, constable fees, and victims of crimes. The accounts are maintained by the District Judges.

Recorder of Deeds

Maintains legal records for all real estate. Recording fees and transfer taxes are collected and remitted to various governmental units. These accounts are maintained by staff under the clerk of records.

Prothonotary

Maintains all records on civil matters such as suits, judgments, liens, charters, appeals, searches, and certifications. Fees and court ordered amounts are collected and subsequently disbursed to the Commonwealth and third parties. These accounts are maintained by staff under the Clerk of Records.

COUNTY OF ERIE, PENNSYLVANIA
FIDUCIARY FUNDS (Continued)

Fiduciary Funds (Continued)

Clerk of Courts

Maintains all records, files, and decisions of the Criminal Courts, Domestic Relations, Coroner and Juvenile Proceedings. Fines, fees and cash bail are collected and ultimately remitted to the payer and/or various governmental units. These accounts are maintained by staff under the Clerk of Records.

Register of Wills

Maintains records regarding wills and other matters presented to the Orphan's Court. Acts as agent for the Commonwealth for collecting inheritance taxes, appointing executors and administering estates, maintaining adoption records and marriage licenses. Money is received as fees, inheritance taxes, and unclaimed estates. Disbursements are made for various costs and remittances to the Commonwealth. These accounts are maintained by the staff under the Clerk of Records.

Sheriff

Carries out the orders of the Civil and Criminal Courts. Responsible for delivering convicted persons to various criminal institutions. Collects proceeds of real estate sales, fines, and fees which are remitted to financial institutions, taxing authorities, and other governmental units. These accounts are maintained by staff under the Sheriff.

Children and Youth

Child Trust – Receives Social Security income payments for children in the children and youth program. Individual accounts are maintained for each child. Payments are made for personal care expenses in accordance with the Commonwealth and Federal regulations.

Act 101 Site – Specific Post Closure

Trust set up to assure funds are available for any remedial measures and emergency actions which may become necessary to prevent or abate effects upon the environment after closure of Lakeview Landfill.

COUNTY OF ERIE, PENNSYLVANIA
Combining Statement of Fiduciary Net Assets
Agency Funds
December 31, 2010

	ASSETS					
	Cash and Cash Equivalents	Investments	Property Taxes Receivable	Interest and Other Receivable	Other Assets	Total Assets
Tax Claim	\$ 1,022,644	\$ -	\$ 13,561,175	\$ 13,711	\$ -	\$ 14,597,530
Revenue Licenses	5,492	-	-	-	-	5,492
Recorder of Deeds	619,226	-	-	-	-	619,226
Clerk of Courts	716,613	-	-	-	-	716,613
Register of Wills	29,365	-	-	-	-	29,365
Prothonotary	512,522	-	-	-	658,046	1,170,568
Sheriff	489,539	-	-	1,939	-	491,478
Prison	229,261	-	-	14,459	-	243,720
Magisterial District Judges	253,867	-	-	-	-	253,867
Children and Youth Trust	6,983	-	-	-	-	6,983
Domestic Relations	48,920	-	-	-	-	48,920
Act 101 Site Specific Post Closure	8,637	2,241,853	-	-	-	2,250,490
Total Assets	\$ 3,943,069	\$ 2,241,853	\$ 13,561,175	\$ 30,109	\$ 658,046	\$ 20,434,252

LIABILITIES

Accounts Payable	Due to Other Governmental Units	Total Liabilities
\$ 1,036,355	\$ 13,561,175	\$ 14,597,530
5,492	-	5,492
619,226	-	619,226
716,613	-	716,613
29,365	-	29,365
1,170,568	-	1,170,568
491,478	-	491,478
243,720	-	243,720
253,867	-	253,867
6,983	-	6,983
48,920	-	48,920
2,250,490	-	2,250,490
<u>\$ 6,873,077</u>	<u>\$ 13,561,175</u>	<u>\$ 20,434,252</u>

COUNTY OF ERIE, PENNSYLVANIA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2010

	Balance December 31, 2009	Additions	Deductions	Balance December 31, 2010
Funds:				
<u>Tax Claim</u>				
ASSETS				
Cash	\$ 1,128,679	\$ 33,825,315	\$ 33,931,350	\$ 1,022,644
Credit Card Receivable	14,798	620,992	622,079	13,711
Property Taxes Receivable	13,428,654	14,687,194	14,554,673	13,561,175
	<u>\$ 14,572,131</u>	<u>\$ 49,133,501</u>	<u>\$ 49,108,102</u>	<u>\$ 14,597,530</u>
LIABILITIES				
Accounts Payable	\$ 1,143,477	\$ 34,446,307	\$ 34,553,429	\$ 1,036,355
Due to Other Governmental Units	13,428,654	14,687,194	14,554,673	13,561,175
	<u>\$ 14,572,131</u>	<u>\$ 49,133,501</u>	<u>\$ 49,108,102</u>	<u>\$ 14,597,530</u>
<u>Revenue Licenses</u>				
ASSETS				
Cash	\$ 3,466	\$ 223,255	\$ 221,229	\$ 5,492
LIABILITIES				
Accounts Payable	\$ 3,466	\$ 223,255	\$ 221,229	\$ 5,492
<u>Recorder of Deeds</u>				
ASSETS				
Cash	\$ 625,547	\$ 16,477,067	\$ 16,483,388	\$ 619,226
LIABILITIES				
Accounts Payable	\$ 625,547	\$ 16,477,067	\$ 16,483,388	\$ 619,226
<u>Clerk of Courts</u>				
ASSETS				
Cash	\$ 647,885	\$ 4,681,688	\$ 4,612,960	\$ 716,613
LIABILITIES				
Accounts Payable	\$ 647,885	\$ 4,681,688	\$ 4,612,960	\$ 716,613
<u>Register of Wills</u>				
ASSETS				
Cash	\$ 34,128	\$ 9,981,484	\$ 9,986,247	\$ 29,365
LIABILITIES				
Accounts Payable	\$ 34,128	\$ 9,981,484	\$ 9,986,247	\$ 29,365

COUNTY OF ERIE, PENNSYLVANIA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2010
(Continued)

	Balance December 31, 2009	Additions	Deductions	Balance December 31, 2010
<u>Prothonotary</u>				
ASSETS				
Cash	\$ 1,065,543	\$ 1,730,978	\$ 2,283,999	\$ 512,522
Other Assets	658,046	115,590	115,590	658,046
	<u>\$ 1,723,589</u>	<u>\$ 1,846,568</u>	<u>\$ 2,399,589</u>	<u>\$ 1,170,568</u>
LIABILITIES				
Accounts Payable	<u>\$ 1,723,589</u>	<u>\$ 1,846,568</u>	<u>\$ 2,399,589</u>	<u>\$ 1,170,568</u>
<u>Sheriff</u>				
ASSETS				
Cash	\$ 518,954	\$ 3,153,246	\$ 3,182,661	\$ 489,539
Accounts Receivable	1,096	843	-	1,939
	<u>520,050</u>	<u>3,154,089</u>	<u>3,182,661</u>	<u>491,478</u>
LIABILITIES				
Accounts Payable	<u>\$ 520,050</u>	<u>\$ 3,154,089</u>	<u>\$ 3,182,661</u>	<u>\$ 491,478</u>
<u>Prison</u>				
ASSETS				
Cash	\$ 153,163	\$ 1,911,731	\$ 1,835,633	\$ 229,261
Accounts Receivable	2,110	12,349	-	14,459
	<u>\$ 155,273</u>	<u>\$ 1,924,080</u>	<u>\$ 1,835,633</u>	<u>\$ 243,720</u>
LIABILITIES				
Accounts Payable	<u>\$ 155,273</u>	<u>\$ 1,924,080</u>	<u>\$ 1,835,633</u>	<u>\$ 243,720</u>
<u>Magisterial District Judges</u>				
ASSETS				
Cash	<u>\$ 248,177</u>	<u>\$ 6,408,420</u>	<u>\$ 6,402,730</u>	<u>\$ 253,867</u>
LIABILITIES				
Accounts Payable	<u>\$ 248,177</u>	<u>\$ 6,408,420</u>	<u>\$ 6,402,730</u>	<u>\$ 253,867</u>
<u>Children & Youth Trust</u>				
ASSETS				
Cash	<u>\$ 7,129</u>	<u>\$ 4</u>	<u>\$ 150</u>	<u>\$ 6,983</u>
LIABILITIES				
Accounts Payable	<u>\$ 7,129</u>	<u>\$ 4</u>	<u>\$ 150</u>	<u>\$ 6,983</u>

COUNTY OF ERIE, PENNSYLVANIA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2010
(Continued)

	Balance December 31, 2009	Additions	Deductions	Balance December 31, 2010
<u>Domestic Relations</u>				
ASSETS				
Cash	\$ 70,976	\$ 4,004,226	\$ 4,026,282	\$ 48,920
LIABILITIES				
Accounts Payable	\$ 70,976	\$ 4,004,226	\$ 4,026,282	\$ 48,920
<u>Act 101 Site Specific Post Closure</u>				
ASSETS				
Cash	\$ 30,717	\$ 2,626	\$ 24,706	\$ 8,637
Investments	2,169,269	72,584	-	2,241,853
	<u>\$ 2,199,986</u>	<u>\$ 75,210</u>	<u>\$ 24,706</u>	<u>\$ 2,250,490</u>
LIABILITIES				
Accounts Payable	\$ 2,199,986	\$ 75,210	\$ 24,706	\$ 2,250,490
TOTAL ASSETS				
Cash	\$ 4,534,364	\$ 82,400,040	\$ 82,991,335	\$ 3,943,069
Investments	2,169,269	72,584	-	2,241,853
Interest and Other Receivable	18,004	634,184	622,079	30,109
Property Taxes Receivable	13,428,654	14,687,194	14,554,673	13,561,175
Other Assets	658,046	115,590	115,590	658,046
Total Assets	<u>\$ 20,808,337</u>	<u>\$ 97,909,592</u>	<u>\$ 98,283,677</u>	<u>\$ 20,434,252</u>
TOTAL LIABILITIES				
Accounts Payable	\$ 7,379,683	\$ 83,222,398	\$ 83,729,004	\$ 6,873,077
Due to Other Governmental Units	13,428,654	14,687,194	14,554,673	13,561,175
Total Liabilities	<u>\$ 20,808,337</u>	<u>\$ 97,909,592</u>	<u>\$ 98,283,677</u>	<u>\$ 20,434,252</u>

**COUNTY OF ERIE, PENNSYLVANIA
DISCRETE COMPONENT UNITS**

1. Pleasant Ridge Manor

Pleasant Ridge Manor is a non-profit organization organized to provide public, nonsectarian charity, health and nursing care to indigent persons within Erie County, Pennsylvania.

2. Erie County Gaming Revenue Authority

The Erie County Gaming Revenue Authority was created by the County government to administer the restricted gaming revenue in accordance with state statute.

County of Erie, Pennsylvania
Discrete Component Units
Combining Statement of Net Assets
December 31, 2010

	Pleasant Ridge Manor (1)	Erie County Gaming Authority (2)	Total
ASSETS			
Current assets:			
Cash and Investments	\$ 697,114	\$ -	\$ 697,114
Investments	477,842	1,650,763	2,128,605
Receivables, net	3,871,300	11,652,429	15,523,729
Inventory	299,875	-	299,875
Prepaid Items	73,514	-	73,514
Other	10,370	-	10,370
Total current assets	5,430,015	13,303,192	18,733,207
Noncurrent assets:			
Restricted Cash	2,315,689	-	2,315,689
Restricted Investment	335,000	-	335,000
Other Assets	7,507	-	7,507
Net pension asset	121,914	-	121,914
Land and other non-depreciable assets	197,046	-	197,046
Capital assets, net	4,975,374	-	4,975,374
Total noncurrent assets	7,952,530	-	7,952,530
Total assets	\$ 13,382,545	\$ 13,303,192	\$ 26,685,737
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 2,120,974	-	\$ 2,120,974
Workers compensation payable	531,435	-	531,435
Self insurance payable	152,002	-	152,002
Accrued liabilities	246,894	-	246,894
Compensated absences	385,752	-	385,752
Bonds payable	1,446,575	-	1,446,575
Other liabilities	10,370	-	10,370
Total current liabilities	4,894,002	-	4,894,002
Noncurrent Liabilities			
Restricted Funds	521,104	-	521,104
Total noncurrent liabilities	521,104	-	521,104
Total Liabilities	5,415,106	-	5,415,106
NET ASSETS			
Invested in capital assets, net of related debt	3,725,845	-	3,725,845
Restricted for:			
Other Purpose	-	3,840,510	3,840,510
Debt Service	1,490,202	-	1,490,202
Unrestricted	2,751,392	9,462,682	12,214,074
Total Net Assets	\$ 7,967,439	\$ 13,303,192	\$ 21,270,631

(1) December 31, 2010 Fiscal Year End
(2) March 31, 2010 Fiscal Year End

County of Erie, Pennsylvania
Discrete Component Units
Combining Statement of Revenue, Expenses and Changes in Net Assets
For the Year Ended December 31, 2010

	Pleasant Ridge Manor (1)	Erie County Gaming Revenue Authority (2)	Total
Operating Revenues			
Charges for services	\$ 31,616,883	\$ 11,427,961	\$ 43,044,844
Other revenue	241,351	-	241,351
Total operating revenue	<u>31,858,234</u>	<u>11,427,961</u>	<u>43,286,195</u>
Operating Expenses			
Operating expenses	32,252,691	33,181	32,285,872
Depreciation expense	991,564	-	991,564
Total operating expenses	<u>33,244,255</u>	<u>33,181</u>	<u>33,277,436</u>
Excess of Revenues Over (Under) Expenditures	(1,386,021)	11,394,780	10,008,759
Non-operating revenues (expenses)			
County contribution	577,475	-	577,475
Interest income	9,469	272,687	282,156
Donated funds	13,521	-	13,521
Grants	18,993	-	18,993
Other Income	20,189	-	20,189
Interest expense	(205,163)	-	(205,163)
Other expenditures	(13,413)	-	(13,413)
Total non-operating (expenses)	<u>421,071</u>	<u>272,687</u>	<u>693,758</u>
Change in net assets	(964,950)	11,667,467	10,702,517
Net assets, beginning of year	8,932,389	1,635,725	10,568,114
Net assets, end of year	<u>\$ 7,967,439</u>	<u>\$ 13,303,192</u>	<u>\$ 21,270,631</u>

(1) December 31, 2010 Fiscal Year End

(2) March 31, 2010 Fiscal Year End

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CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS

COUNTY OF ERIE, PENNSYLVANIA
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2010

<u>Function and Activity</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Building and Improvements</u>	<u>Furniture and Equipment</u>	<u>Total</u>
General government	\$ -	\$ 52,999	\$ 27,237,729	\$ 3,787,427	\$ 31,078,155
Courts and related offices	70,960	-	3,036,332	2,709,162	5,816,454
Corrections	276,946	-	30,797,341	1,222,996	32,297,283
Community services	301,797	-	16,147,245	12,350,616	28,799,658
Public health	-	-	788,751	636,020	1,424,771
Library	528,112	-	15,819,407	2,587,283	18,934,802
 Total governmental funds capital assets	 <u>\$ 1,177,815</u>	 <u>\$ 52,999</u>	 <u>\$ 93,826,805</u>	 <u>\$ 23,293,504</u>	 <u>\$118,351,123</u>

COUNTY OF ERIE, PENNSYLVANIA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Fiscal Year Ended December 31, 2010

<u>Function and Activity</u>	Governmental Funds Capital Assets January 1, 2010	Additions	Deductions/ Transfer	Governmental Funds Capital Assets December 31, 2010
General government	\$ 31,221,468	\$ 336,611	\$ (479,924)	\$ 31,078,155
Courts and related offices	6,061,821	30,842	(276,209)	5,816,454
Corrections	32,390,684	16,695	(110,096)	32,297,283
Community services	28,822,879	554,196	(577,417)	28,799,658
Public health	1,425,067	10,842	(11,138)	1,424,771
Library	19,016,240	35,277	(116,715)	18,934,802
Total governmental funds capital assets	<u>\$ 118,938,159</u>	<u>\$ 984,463</u>	<u>\$ (1,571,499)</u>	<u>\$ 118,351,123</u>

COUNTY OF ERIE, PENNSYLVANIA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Assets by Source
December 31, 2010

Governmental funds capital assets:

Land	\$ 1,177,815
Construction in progress	52,999
Buildings and improvements	93,826,805
Vehicles	2,119,296
Furniture and equipment	<u>21,174,208</u>
Total governmental funds capital assets	<u><u>\$ 118,351,123</u></u>

Investments environmental funds capital assets by source:

General fund	\$ 66,302,042
Special revenue funds	<u>52,049,081</u>
Total governmental funds capital assets	<u><u>\$ 118,351,123</u></u>

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	142
Revenue Capacity	
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	153
Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and government's ability to issue additional debt in the future.</i>	161
Demographic and Economic Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	168
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	172

COUNTY OF ERIE, PENNSYLVANIA
Net Assets by Component
Last Ten Years
(accrual basis of accounting)

	<i>Year</i>			
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental Activities				
Invested in capital assets, net of related debt	\$ (7,891,335)	\$ (4,386,397)	\$ (3,145,289)	\$ (2,597,220)
Restricted	23,788,624	30,370,707	28,983,109	23,766,250
Unrestricted	24,512,760	16,200,016	20,233,464	20,414,397
Total government activities net assets	<u>40,410,049</u>	<u>42,184,326</u>	<u>46,071,284</u>	<u>41,583,427</u>
Primary Government				
Invested in capital assets, net of related debt	(7,891,335)	(4,386,397)	(3,145,289)	(2,597,220)
Restricted	23,788,624	30,370,707	28,983,109	23,766,250
Unrestricted	24,512,760	16,200,016	20,233,464	20,414,397
Total primary government net assets	<u>\$ 40,410,049</u>	<u>\$ 42,184,326</u>	<u>\$ 46,071,284</u>	<u>\$ 41,583,427</u>

Notes: The decrease in Investment in capital assets between 2003 and 2004 is due to the reclassification of the \$8,000,000 investment in the RDA by the Planning and Economic Development Fund from this classification to a restricted asset. The change is also associated with the issuance of the 2003 bond.

2006 was restated for the addition of Erie County Care Management which is a blended component unit of the County.

<i>Year</i>					
<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ (1,467,584)	\$ 2,551,924	\$ 1,359,876	\$ 9,369,907	\$ 9,443,774	\$ 9,581,151
19,313,534	19,579,999	15,932,807	8,860,997	10,362,235	9,986,209
17,307,552	13,643,863	14,410,487	10,609,375	8,444,836	7,029,714
<u>35,153,502</u>	<u>35,775,786</u>	<u>31,703,170</u>	<u>28,840,279</u>	<u>28,250,845</u>	<u>26,597,074</u>
(1,467,584)	2,551,924	1,359,876	9,369,907	9,443,774	9,581,151
19,313,534	19,579,999	15,932,807	8,860,997	10,362,235	9,986,209
17,307,552	13,643,863	14,410,487	10,609,375	8,444,836	7,029,714
<u>\$ 35,153,502</u>	<u>\$ 35,775,786</u>	<u>\$ 31,703,170</u>	<u>\$ 28,840,279</u>	<u>\$ 28,250,845</u>	<u>\$ 26,597,074</u>

COUNTY OF ERIE , PENNSYLVANIA
Changes in Net Assets
Last Ten Years
(accrual basis of accounting)

	Year			
	2010	2009	2008	2007
Expenses				
Governmental Activities				
General government	\$ 15,852,380	\$ 12,781,659	\$ 13,302,695	\$ 11,583,536
Courts and related offices	23,301,291	23,815,737	22,452,595	20,642,833
Corrections	39,786,125	40,629,325	39,240,696	36,507,826
Community services	206,797,399	214,680,441	231,296,513	186,143,770
Public health	7,441,621	7,605,284	7,465,662	7,016,892
Public works	683,726	893,667	712,490	774,009
Library	7,306,003	4,715,044	7,187,576	6,808,991
Other	-	-	-	-
Interest on long term debt	4,179,570	4,337,847	3,775,372	3,811,952
Loss on guaranteed debt	-	-	-	-
Total primary government expenses	<u>\$ 305,348,115</u>	<u>\$ 309,459,004</u>	<u>\$ 325,433,599</u>	<u>\$ 273,289,809</u>
Program Revenue				
Charges for services				
General Government	\$ 3,208,938	\$ 3,055,882	\$ 2,728,069	\$ 2,735,511
Courts and Related Offices	5,475,588	5,410,242	5,683,424	5,640,432
Corrections	2,334,393	2,146,959	2,176,755	2,327,150
Community Services	18,652,095	16,897,959	17,684,293	14,134,434
Public Health	450,712	376,605	536,541	421,619
Library	220,462	229,371	225,511	225,396
Operating grants and contributions	200,659,383	214,031,194	237,713,702	192,087,930
Capital grants and contributions	-	-	-	54,791
Total primary government program revenues	<u>\$ 231,001,571</u>	<u>\$ 242,148,212</u>	<u>\$ 266,748,295</u>	<u>\$ 217,627,263</u>
Net (Expense)/Revenue				
Governmental activities	<u>\$ (74,346,544)</u>	<u>\$ (67,310,792)</u>	<u>\$ (58,685,304)</u>	<u>\$ (55,662,546)</u>
Total primary government net expense	<u>\$ (74,346,544)</u>	<u>\$ (67,310,792)</u>	<u>\$ (58,685,304)</u>	<u>\$ (55,662,546)</u>
General Revenue and Other Changes in Net Assets				
Governmental activities				
Property Taxes	\$ 68,566,314	\$ 59,793,818	\$ 58,262,891	\$ 55,664,202
Hotel Room Rental Tax	2,948,646	2,724,570	2,663,840	2,432,204
Interest Income	320,697	384,012	1,925,813	3,554,926
Other Income	736,610	327,241	517,810	438,139
Total primary government	72,572,267	63,229,641	63,370,354	62,089,471
Change in Net Assets				
Governmental activities	<u>(1,774,277)</u>	<u>(4,081,151)</u>	<u>4,685,050</u>	<u>6,426,925</u>
Total primary government change in net assets	<u>\$ (1,774,277)</u>	<u>\$ (4,081,151)</u>	<u>\$ 4,685,050</u>	<u>\$ 6,426,925</u>

Year					
2006	2005	2004	2003	2002	2001
\$ 11,585,003	\$ 10,390,858	\$ 10,039,805	\$ 10,666,773	\$ 10,117,195	\$ 10,018,685
18,838,105	17,943,991	17,999,479	18,806,005	16,739,962	16,667,597
33,101,250	32,184,358	32,237,675	31,893,786	27,715,824	29,617,728
149,202,374	140,836,601	137,581,587	128,584,310	127,877,002	116,170,619
6,273,932	6,408,229	6,216,188	6,878,507	5,988,562	5,566,537
793,093	741,599	832,551	813,291	705,264	742,380
5,996,459	5,771,219	5,745,480	5,837,748	5,995,852	5,589,408
3,400	2,340	2,340	4,367	4,636	1,901,508
3,790,500	2,609,791	2,497,107	2,194,103	1,973,407	2,255,168
-	-	129,708	716,311	-	-
\$ 229,584,116	\$ 216,888,986	\$ 213,281,920	\$ 206,395,201	\$ 197,117,704	\$ 188,529,630

\$ 2,673,137	\$ 2,840,562	\$ 2,324,821	\$ 2,087,284	\$ 2,214,223	\$ 1,756,320
5,587,398	5,432,622	5,712,291	5,814,165	5,314,406	4,880,254
2,471,956	2,469,683	2,791,817	2,462,745	2,329,763	2,276,773
2,893,051	2,968,632	3,201,222	2,582,197	2,474,225	2,503,879
557,573	656,742	626,715	459,251	477,073	347,930
229,924	368,300	472,063	370,940	344,430	317,058
153,246,168	151,651,752	148,875,982	142,671,678	138,115,969	124,103,762
1,711,127	1,235,685	100,000	15,000	32,500	3,132,118
\$ 169,370,334	\$ 167,623,978	\$ 164,104,911	\$ 156,463,260	\$ 151,302,589	\$ 139,318,094

\$ (60,213,782) \$ (49,265,008) \$ (49,177,009) \$ (49,931,941) \$ (45,815,115) \$ (49,211,536)

\$ (60,213,782) \$ (49,265,008) \$ (49,177,009) \$ (49,931,941) \$ (45,815,115) \$ (49,211,536)

\$ 53,599,290	\$ 49,298,573	\$ 49,055,086	\$ 47,642,708	\$ 44,583,176	\$ 42,846,934
2,133,095	2,046,370	1,969,962	1,755,905	1,791,460	1,248,089
3,554,357	1,633,072	620,200	536,125	750,773	1,597,463
304,756	359,609	394,652	586,637	343,477	1,181,724

59,591,498 53,337,624 52,039,900 50,521,375 47,468,886 46,874,210

(622,284) 4,072,616 2,862,891 589,434 1,653,771 (2,337,326)

\$ (622,284) \$ 4,072,616 \$ 2,862,891 \$ 589,434 \$ 1,653,771 \$ (2,337,326)

COUNTY OF ERIE, PENNSYLVANIA
Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	Year			
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund				
Reserved	\$ 13,266,571	\$ 11,128,717	\$ 13,095,719	\$ 12,604,862
Unreserved				
Designated				
Undesignated	<u>17,770,303</u>	<u>11,286,043</u>	<u>9,471,341</u>	<u>11,944,147</u>
Total General Fund	<u>\$ 31,036,874</u>	<u>\$ 22,414,760</u>	<u>\$ 22,567,060</u>	<u>\$ 24,549,009</u>
All Other Governmental Funds				
Reserved				
Special Revenue Funds	\$ 15,902,304	\$ 20,107,368	\$ 17,280,083	\$ 10,163,146
Debt Service	1,769,288	1,781,882	1,809,835	1,827,804
Capital Projects	25,901,084	29,847,830	28,819,745	11,308,430
Undesignated, reported in:				
Special Revenue Funds	<u>7,608,957</u>	<u>7,852,037</u>	<u>8,683,558</u>	<u>6,225,443</u>
Total all other governmental funds	<u>51,181,633</u>	<u>59,589,117</u>	<u>56,593,221</u>	<u>29,524,823</u>
Total governmental funds	<u>\$ 82,218,507</u>	<u>\$ 82,003,877</u>	<u>\$ 79,160,281</u>	<u>\$ 54,073,832</u>

Year					
<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 12,603,113	\$ 2,307,194	\$ 2,426,090	\$ 2,690,539	\$ 1,922,348	\$ 1,416,855
	788,093				
<u>13,553,863</u>	<u>11,429,720</u>	<u>9,258,866</u>	<u>6,003,453</u>	<u>4,672,590</u>	<u>3,846,625</u>
<u>\$ 26,156,976</u>	<u>\$ 14,525,007</u>	<u>\$11,684,956</u>	<u>\$ 8,693,992</u>	<u>\$ 6,594,938</u>	<u>\$ 5,263,480</u>
\$ 5,068,746	\$ 16,041,583	\$11,867,878	\$11,919,372	\$ 4,089,934	\$ 3,935,660
2,043,020	2,480,451	2,938,863	3,532,253	3,941,683	4,458,974
26,568,335	35,632,760	11,428,499	12,041,091	1,423,389	1,352,232
<u>735,013</u>	<u>964,043</u>	<u>1,342,755</u>	<u>1,013,732</u>	<u>806,744</u>	<u>176,101</u>
<u>34,415,114</u>	<u>55,118,837</u>	<u>27,577,995</u>	<u>28,506,448</u>	<u>10,261,750</u>	<u>9,922,967</u>
<u>\$ 60,572,090</u>	<u>\$ 69,643,844</u>	<u>\$39,262,951</u>	<u>\$37,200,440</u>	<u>\$ 16,856,688</u>	<u>\$ 15,186,447</u>

COUNTY OF ERIE, PENNSYLVANIA
Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	Year				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
REVENUES					
Real Estate Taxes	\$ 68,340,246	\$ 60,849,338	\$ 57,445,745	\$ 54,402,710	\$ 53,617,475
Hotel Room Rental Tax*	2,948,646	2,724,570	2,663,840	2,432,204	2,133,095
Federal, State and Municipal Grants	200,659,383	214,595,706	237,713,702	192,142,721	154,957,295
Charges for Services	30,342,188	27,552,506	29,034,593	25,484,542	14,413,039
Interest Income	320,697	384,012	1,925,813	3,554,926	3,554,357
Other income	736,610	327,241	517,810	438,139	304,756
Total Revenues	<u>303,347,770</u>	<u>306,433,373</u>	<u>329,301,503</u>	<u>278,455,242</u>	<u>228,980,017</u>
EXPENDITURES					
Current:					
General government	14,243,236	11,950,034	11,666,961	11,198,109	9,937,961
Courts and related offices	21,505,399	21,613,050	20,721,787	19,220,859	18,415,816
Corrections	37,556,013	38,202,945	37,068,124	34,450,070	32,129,664
Community Services	204,544,101	211,882,072	226,782,535	181,733,355	147,688,541
Public health	7,002,502	8,147,557	7,756,801	6,475,515	6,217,156
Public Works	683,726	893,667	712,490	774,009	793,093
Library	6,132,786	5,936,489	6,023,041	5,717,622	5,442,185
Other	5,889	4,258	5,545	90,432	3,400
Capital Outlay	1,903,658	5,482,738	9,565,410	18,953,351	10,999,023
Debt Service					
Principal	5,104,246	4,959,385	2,664,140	2,700,625	2,826,320
Interest	4,451,584	4,521,391	3,769,341	3,790,627	3,598,612
Bond Issuance Costs	-	79,485	130,733	-	-
Total Expenditures	<u>303,133,140</u>	<u>313,673,071</u>	<u>326,866,908</u>	<u>285,104,574</u>	<u>238,051,771</u>
Excess of Revenues Over (Under) Expenditures	<u>214,630</u>	<u>(7,239,698)</u>	<u>2,434,595</u>	<u>(6,649,332)</u>	<u>(9,071,754)</u>
Other Financing Sources (Uses)					
Issuance of Debt	-	10,205,000	22,055,000	25,138,458	-
Note Proceeds	-	-	-	-	-
Lease Proceeds	-	-	-	52,909	-
Transfers in	24,870,257	34,153,264	45,592,465	22,099,147	32,109,191
Transfers out	(24,870,257)	(34,153,264)	(45,592,465)	(22,099,147)	(32,109,191)
Loss on Guaranteed Debt	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	(25,040,294)	-
Payment of Loan Guarantee	-	-	-	-	-
Premium Related to Debt Issuance	-	-	596,855	-	-
Discount Related to Debt Issuance	-	(121,706)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>10,083,294</u>	<u>22,651,855</u>	<u>151,073</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 214,630</u>	<u>\$ 2,843,596</u>	<u>\$ 25,086,450</u>	<u>\$ (6,498,259)</u>	<u>\$ (9,071,754)</u>
Debt Service as a percentage of noncapital expenditures	3.17%	3.10%	2.07%	2.44%	2.83%

*We started collecting Hotel Room Rental Tax in 2001. We have added this as a separate line to our presentation,

Year				
<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 49,639,081	\$ 48,892,248	\$ 47,071,141	\$ 44,226,824	\$ 42,649,580
2,046,370	1,969,962	1,755,905	1,791,460	1,248,089
152,887,437	148,975,982	142,684,269	138,148,469	127,235,880
14,736,541	15,128,929	13,776,582	13,154,120	12,082,214
1,633,072	620,200	538,534	750,773	1,597,463
359,609	394,652	586,637	343,477	1,181,724
<u>221,302,110</u>	<u>215,981,973</u>	<u>206,413,068</u>	<u>198,415,123</u>	<u>185,994,950</u>
9,342,971	9,104,141	9,623,077	8,076,003	9,608,423
17,625,158	17,633,056	17,880,233	16,514,108	15,299,044
31,332,808	31,087,719	30,925,184	26,804,420	28,483,551
140,339,216	136,723,950	128,048,033	127,388,035	116,406,658
6,334,742	6,175,897	6,662,758	5,854,127	5,420,319
741,599	832,551	813,291	705,264	742,380
5,137,520	5,081,221	5,296,210	5,406,807	5,270,967
459,234	2,340	310,225	66,589	1,901,508
4,903,592	2,628,667	4,010,995	3,274,740	3,191,872
2,038,934	1,919,181	1,530,000	1,530,000	1,385,000
2,622,337	2,727,152	1,272,547	1,884,125	2,255,168
-	-	-	-	-
<u>220,878,111</u>	<u>213,915,875</u>	<u>206,372,553</u>	<u>197,504,218</u>	<u>189,964,890</u>
423,999	2,066,098	40,515	910,905	(3,969,940)
43,067,351	-	42,568,487	10,336,809	-
-	1,502,613	-	-	-
-	-	-	-	-
47,237,620	17,883,637	15,008,622	15,282,121	15,086,228
(47,237,620)	(17,883,637)	(15,008,622)	(15,282,121)	(15,086,228)
-	(3,587)	(89,819)	-	-
(13,110,457)	-	(22,175,431)	(9,891,888)	-
-	(1,502,613)	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>29,956,894</u>	<u>(3,587)</u>	<u>20,303,237</u>	<u>444,921</u>	<u>-</u>
<u>\$ 30,380,893</u>	<u>\$ 2,062,511</u>	<u>\$ 20,343,752</u>	<u>\$ 1,355,826</u>	<u>\$ (3,969,940)</u>
2.16%	2.20%	1.38%	1.76%	1.95%

COUNTY OF ERIE, PENNSYLVANIA
Program Revenues by Function / Program
Last Ten Years
(accrual basis of accounting)

Function/Program	Year			
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental Activities				
General Government	\$ 3,298,059	\$ 3,690,832	\$ 2,830,635	\$ 2,790,302
Courts and Related Offices	9,791,846	9,842,791	9,521,863	9,371,053
Corrections	14,671,198	14,706,913	14,402,695	14,368,315
Community Services	194,807,691	204,862,386	230,283,490	182,770,989
Public Health	5,858,695	6,179,541	6,684,597	5,238,959
Public Works	768,514	717,937	757,336	838,851
Library	1,805,568	2,147,812	2,267,679	2,248,794
<i>Total Primary Government</i>	<u>\$ 231,001,571</u>	<u>\$ 242,148,212</u>	<u>\$ 266,748,295</u>	<u>\$ 217,627,263</u>

Year					
<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 4,093,473	\$ 2,915,562	\$ 2,434,591	\$ 2,320,238	\$ 2,218,223	\$ 1,920,441
9,361,704	9,212,200	9,903,038	10,586,656	9,055,547	8,614,926
13,599,958	15,175,231	15,823,814	14,961,499	14,575,680	14,458,612
134,319,792	131,719,161	127,943,696	120,042,324	117,470,241	107,211,947
5,219,096	5,262,967	5,388,951	5,421,439	4,641,591	4,142,863
710,444	784,146	770,019	766,390	779,986	739,056
2,065,867	2,554,711	1,840,802	2,364,714	2,561,321	2,230,249
<u>\$ 169,370,334</u>	<u>\$ 167,623,978</u>	<u>\$ 164,104,911</u>	<u>\$ 156,463,260</u>	<u>\$ 151,302,589</u>	<u>\$ 139,318,094</u>

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COUNTY OF ERIE, PENNSYLVANIA
Assessed Value and Actual Value of Taxable Property
Last Ten Years

Year	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Other	Total Assessed Value	Total Market Value	Ratio of Assessed to Market Value	Total Direct Tax Rate
2001	\$ 550,675,075	\$ 153,848,184	\$ 39,414,548	\$ 61,493,365	\$ 6,521,184	\$ 811,952,356	\$ 10,277,877,924	7.90%	0.05300
2002	559,810,609	159,043,836	39,288,592	62,717,865	6,480,662	827,341,564	10,606,943,128	7.80%	0.05425
2003	7,063,614,155	2,147,408,076	316,777,577	867,350,430	-	10,395,150,238	10,395,150,238	100.00%	0.00460
2004	7,084,532,777	2,138,820,767	309,768,769	841,409,390	5,608,370	10,380,140,073	11,307,342,127	91.80%	0.00468
2005	7,202,602,194	2,176,364,545	343,230,740	844,931,271	-	10,567,128,750	11,940,258,475	88.50%	0.00468
2006	7,434,147,045	2,279,989,201	356,028,940	878,780,874	-	10,948,946,060	12,911,492,995	84.80%	0.00495
2007	7,504,482,947	2,332,548,760	350,281,740	891,912,354	-	11,079,225,801	13,201,745,283	83.92%	0.00495
2008	7,565,349,956	2,377,296,431	350,063,830	892,996,494	-	11,185,706,711	13,509,307,622	82.80%	0.00520
2009	7,609,595,380	2,441,130,409	334,595,533	896,947,264	-	11,282,268,586	14,191,532,812	79.50%	0.00545
2010	7,643,489,968	2,455,109,235	327,118,153	901,680,054	-	11,327,397,410	13,847,674,095	81.80%	0.00605

Note: The County Reassessment became effective in 2003
Total Assessed Value as of 12/31 of current year includes exonerations and additions
Source: 2001-2010 County of Erie Assessment Bureau

COUNTY OF ERIE, PENNSYLVANIA
Direct and Overlapping Property Tax Rates
Last Ten Years
(rates per \$1 of assessed value)

County	<u>Year Taxes are Payable</u>				
	2010	2009	2008	2007	2006
Erie County					
Operating Millage	0.0060500	0.0054500	0.0052000	0.0049500	0.0049500
Township or Boro					
Albion Boro	0.0020600	0.0020600	0.0020600	0.0020600	0.0020600
Amity Township	0.0014000	0.0014000	0.0014000	0.0014000	0.0013000
Concord Township	0.0002300	0.0002300	0.0002300	0.0002300	0.0002300
Conneaut Township	0.0003350	0.0003350	0.0003350	0.0003350	0.0003350
Corry City	0.0075500	0.0075500	0.0072500	0.0072500	0.0066000
Cranesville Boro	0.0012700	0.0012700	0.0012700	0.0012700	0.0012700
Edinboro Boro	0.0053500	0.0053500	0.0053500	0.0033500	0.0033500
Elgin Boro	0.0007500	0.0007500	0.0007500	0.0007500	0.0007500
Elk Creek Township	0.0023500	0.0023500	0.0023500	0.0023500	0.0023500
Erie City	0.0114500	0.0114500	0.0114500	0.0114500	0.0102100
Fairview Boro	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000
Fairview Township	0.0009500	0.0009500	0.0009500	0.0009500	0.0009500
Franklin Township	0.0028000	0.0028000	0.0028000	0.0028000	0.0014000
Girard Boro	0.0017800	0.0017800	0.0017800	0.0012800	0.0012800
Girard Township	0.0010370	0.0010370	0.0010370	0.0010370	0.0010370
Greene Township	0.0015900	0.0015900	0.0015900	0.0014500	0.0014500
Greenfield Township	0.0023000	0.0023000	0.0021000	0.0021000	0.0020000
Harborcreek Township	0.0011920	0.0011920	0.0011920	0.0011920	0.0011920
Lake City Boro	0.0028003	0.0028003	0.0027003	0.0027003	0.0027003
Lawrence Park Township	0.0027500	0.0027500	0.0027500	0.0027500	0.0027500
LeBouef Township	0.0004200	0.0004200	0.0004200	0.0004200	0.0004200
McKean Township	0.0010000	0.0010000	0.0010000	0.0010000	0.0010000
McKean Boro	0.0011000	0.0011000	0.0011000	0.0011000	0.0011000
Millcreek Township	0.0024594	0.0024594	0.0024594	0.0024594	0.0024594
Mill Village Boro	0.0013000	0.0013000	0.0013000	0.0009560	0.0009560
North East Boro - 1st Ward	0.0041100	0.0036200	0.0036200	0.0036200	0.0036200
North East Boro - 2nd Ward	0.0041100	0.0036200	0.0036200	0.0036200	0.0036200
North East Township	0.0012640	0.0012640	0.0012640	0.0012640	0.0012640
Platea Boro	0.0013000	0.0013000	0.0013000	0.0013000	0.0013000
Springfield Township	0.0004360	0.0004360	0.0004360	0.0004360	0.0004360
Summit Township	0.0007000	0.0007000	0.0007000	0.0007000	0.0007000
Union City Boro - 1st Ward	0.0055000	0.0045000	0.0045000	0.0045000	0.0035000
Union City Boro - 2nd Ward	0.0055000	0.0045000	0.0045000	0.0045000	0.0035000
Union Township	0.0012000	0.0012000	0.0012000	0.0012000	0.0012000
Venango Township	0.0024000	0.0024000	0.0014000	0.0013000	0.0011000
Washington Township	0.0008100	0.0008100	0.0008100	0.0008100	0.0008100
Waterford Boro	0.0016000	0.0013500	0.0013500	0.0013500	0.0013500
Waterford Township	0.0022000	0.0020000	0.0018000	0.0014000	0.0010000
Wattsburg Boro	0.0050000	0.0050000	0.0050000	0.0050000	0.0020000
Wayne Township	0.0015000	0.0015000	0.0015000	0.0015000	0.0015000
Wesleyville Boro	0.0077730	0.0077730	0.0077730	0.0072730	0.0072730

Year Taxes are Payable

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
0.0046800	0.0046800	0.0046000	0.0542500	0.0530000
0.0020600	0.0020600	0.0020000	0.0280000	0.0280000
0.0013000	0.0013000	0.0013000	0.0170000	0.0170000
0.0002300	0.0002300	0.0002300	0.0030000	0.0030000
0.0003350	0.0003350	0.0003350	0.0050000	0.0050000
0.0066000	0.0068500	0.0061900	0.0725000	0.0725000
0.0012700	0.0012700	0.0012700	0.0170000	0.0170000
0.0023000	0.0023000	0.0020500	0.0260000	0.0260000
0.0007500	0.0007500	0.0007500	0.0100000	0.0100000
0.0023500	0.0013500	0.0009924	0.0140000	0.0140000
0.0097100	0.0097100	0.0099100	0.1074500	0.1074500
0.0000000	0.0000000	0.0000000	0.0000000	0.0000000
0.0009500	0.0008500	0.0008500	0.0105000	0.0105000
0.0013000	0.0013000	0.0013000	0.0170000	0.0170000
0.0012800	0.0012800	0.0012800	0.0150000	0.0150000
0.0010370	0.0010370	0.0010370	0.0120000	0.0120000
0.0012900	0.0012900	0.0011880	0.0160000	0.0140000
0.0019000	0.0018400	0.0017700	0.0250000	0.0250000
0.0011920	0.0011920	0.0011920	0.0140000	0.0140000
0.0027003	0.0027003	0.0027003	0.0300000	0.0270000
0.0027500	0.0027500	0.0020000	0.0225000	0.0225000
0.0004200	0.0004200	0.0004200	0.0060000	0.0060000
0.0009000	0.0009000	0.0009000	0.0120000	0.0120000
0.0011000	0.0011000	0.0011000	0.0180000	0.0180000
0.0024594	0.0025498	0.0025498	0.0222500	0.0200000
0.0009560	0.0008690	0.0008690	0.0130000	0.0110000
0.0036200	0.0022200	0.0022200	0.0280000	0.0279000
0.0036200	0.0022200	0.0022200	0.0280000	0.0279000
0.0012640	0.0012640	0.0012640	0.0150000	0.0150000
0.0013000	0.0013000	0.0013000	0.0170000	0.0170000
0.0004360	0.0004360	0.0004360	0.0060000	0.0060000
0.0007000	0.0007300	0.0007300	0.0090000	0.0090000
0.0035000	0.0035000	0.0035000	0.0445000	0.0445000
0.0035000	0.0035000	0.0035000	0.0445000	0.0445000
0.0012000	0.0010000	0.0008500	0.0110000	0.0080000
0.0010000	0.0010000	0.0010000	0.0140000	0.0140000
0.0008100	0.0008100	0.0008100	0.0110000	0.0110000
0.0013500	0.0013500	0.0013500	0.0190000	0.0190000
0.0008000	0.0008000	0.0007000	0.0100000	0.0100000
0.0020000	0.0009000	0.0006000	0.0100000	0.0100000
0.0013800	0.0012500	0.0012500	0.0140000	0.0140000
0.0062730	0.0062730	0.0037730	0.0410000	0.0350000

COUNTY OF ERIE, PENNSYLVANIA
 Direct and Overlapping Property Tax Rates
 Last Ten Years
 (rates per \$1 of assessed value)

Year Taxes are Payable

School District	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Corry Area	0.0179269	0.0177660	0.0184506	0.0184506	0.0184990
Erie City	0.0170687	0.0170687	0.0170687	0.0170687	0.0170687
Fairview	0.0185200	0.0180000	0.0176800	0.0172400	0.0167400
Fort LeBoeuf	0.0135600	0.0135600	0.0135600	0.0135600	0.0135600
General McLane	0.0135100	0.0132600	0.0132600	0.0132600	0.0130300
Girard	0.0167400	0.0160500	0.0160500	0.0160500	0.0157500
Harborcreek Township	0.0163900	0.0158100	0.0157100	0.0152100	0.0147100
Iroquois	0.0215000	0.0215000	0.0215000	0.0215000	0.0215000
Millcreek Township	0.0146300	0.0141400	0.0141400	0.0141400	0.0141400
North East	0.0157500	0.0151300	0.0151300	0.0146500	0.0143600
Northwestern	0.0102500	0.0100000	0.0100000	0.0100000	0.0097000
Union City Area	0.0120100	0.0118900	0.0118900	0.0118800	0.0116161
Wattsburg Area	0.0166500	0.0152500	0.0150000	0.0146500	0.0146500

**Prior to 2003 values were based on 40% of assessed value for all taxing bodies except for the following:

Corry City	100% Assessed Value
Erie City	100% Assessed Value
Erie School	100% Assessed Value

After 2003 the tax rates are based on 100% of assessed value, which is the rate levied, except as follows:

Corry School

Year Taxes are Payable

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
0.0184850	0.0163710	0.0159600	0.1920000	0.1281000
0.0164187	0.0164187	0.0164187	0.1678750	0.1582500
0.0162600	0.0153900	0.0145700	0.1660000	0.1620000
0.0135600	0.0135600	0.0115600	0.1560000	0.1505000
0.0126000	0.0126000	0.0117000	0.1570000	0.1500000
0.0151500	0.0148500	0.0142500	0.1740000	0.1710000
0.0147100	0.0140600	0.0133750	0.1625000	0.1560000
0.0215000	0.0180000	0.0167500	0.1887500	0.1815000
0.0137700	0.0131200	0.0124900	0.1439000	0.1400000
0.0140800	0.0130800	0.0130800	0.1550000	0.1500000
0.0097000	0.0097000	0.0092030	0.1380000	0.1370000
0.0123700	0.0123700	0.0105700	0.1430000	0.1430000
0.0144000	0.0140761	0.0125261	0.1757000	0.1647000

COUNTY OF ERIE, PENNSYLVANIA
Principal Property Tax Payers
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<u>100% Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>	<u>40% Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>
Presque Isle Downs	\$ 122,465,910	1	1.09%	-----	-----	-----
Millcreek Mall/Cafaro	104,988,900	2	0.93%	\$ 18,838,360	2	0.91%
Baldwin Brothers	93,848,215	3	0.83%	20,305,450	1	0.99%
Scott Development Enterprise	65,042,020	4	0.58%	8,139,660	4	0.40%
Wal Mart	45,205,340	5	0.40%	-----	-----	-----
Pastore Brothers, et al	35,321,800	6	0.31%	6,088,000	6	0.30%
Developers Diversified	33,060,000	7	0.29%	7,244,240	5	0.35%
Maleno Developers	22,173,220	8	0.20%	-----	-----	-----
Erie Indemnity	18,995,650	9	0.17%	12,472,610	3	0.61%
General Electric Company	17,480,400	10	0.15%	5,510,950	7	0.27%
Palermo et al	-----	-----	-----	3,769,270	9	0.18%
International Paper	-----	-----	-----	3,753,580	10	0.18%
Granada Apartments	-----	-----	-----	4,083,750	8	0.20%
Total	<u>\$ 558,581,455</u>		<u>4.95%</u>	<u>\$ 90,205,870</u>		<u>4.38%</u>
Assessed Value of All Properties	<u>\$11,282,268,778</u>			<u>\$811,952,356</u>		

Note: Reassessment was effective in 2003 and the assessed value basis was changed to 100% of the assessed value.

COUNTY OF ERIE, PENNSYLVANIA
Property Tax Levies and Collections
Last Ten Years

Fiscal Year	Tax Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Total Collections to Date		
				Amount	Percentage of Original Levy	Collections in Subsequent Year	Amount	Percentage of Adjusted Levy
2001	\$ 43,677,502	\$ (587,252)	\$ 43,090,250	\$ 40,951,989	95.04%	\$ 27,226	\$ 40,979,215	95.10%
2002	45,509,177	(773,353)	44,735,824	42,503,437	95.01%	50,592	42,554,029	95.12%
2003	48,365,798	(566,774)	47,799,024	45,175,089	94.51%	108,405	45,283,494	94.74%
2004	48,827,338	370,771	49,198,109	46,898,094	95.32%	1,225,067	48,123,161	97.82%
2005	49,454,162	326,846	49,781,008	47,379,583	95.18%	2,258,595	49,638,178	99.71%
2006	53,446,351	353,016	53,799,367	50,844,569	94.51%	2,500,461	53,345,030	99.16%
2007	54,197,408	290,437	54,487,845	51,920,654	95.29%	2,505,812	54,426,466	99.89%
2008	57,611,976	169,965	57,781,941	54,449,645	94.23%	2,663,067	57,112,712	98.84%
2009	60,962,234	387,484	61,349,718	57,932,595	94.43%	1,451,525	59,384,120	96.80%
2010	68,257,856	(47,102)	68,210,754	64,776,980	94.97%	-	64,776,980	94.97%

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COUNTY ERIE, PENNSYLVANIA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

General Bonded Debt Outstanding

Year	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Note Payable	Capital Leases	Total	Percentage of Personal Income (a)	Percentage of Actual Value (b) of Taxable Property	Per Capita (a)	Total Assessed Value	Population	Personal Income (thousands of dollar)
2001	\$ 31,425,000	\$(4,458,974)	\$ -	\$ 469,052	\$26,966,026	0.39%	3.32%	\$ 95.71	\$ 811,952,356	281,749	\$ 6,901,666
2002	30,030,000	(3,941,683)	23,541	390,815	26,088,317	0.37%	3.15%	\$92.36	827,341,564	282,475	7,078,675
2003	47,555,000	(3,532,253)	18,585	318,036	44,022,747	0.61%	0.42%	\$155.62	10,395,150,238	282,892	7,218,648
2004	45,720,000	(2,938,863)	1,432,061	250,335	42,781,137	0.57%	0.41%	\$152.34	10,380,140,073	280,833	7,516,373
2005	72,315,000	(2,480,451)	1,313,171	187,357	69,834,549	0.90%	0.66%	\$249.25	10,567,128,750	280,184	7,754,000
2006	69,580,000	(2,042,376)	1,187,973	128,773	67,537,624	0.82%	0.62%	\$241.37	10,948,946,060	279,811	8,190,575
2007	68,800,000	(1,824,161)	1,057,845	126,892	66,975,839	0.77%	0.60%	\$238.82	11,079,225,801	280,446	8,730,790
2008	88,325,000	(1,808,665)	923,706	37,827	86,516,335	0.95%	0.77%	\$309.90	11,185,706,711	279,175	9,112,456
2009	93,750,000	(1,781,882)	782,148	-	91,968,118	1.01%	0.82%	\$328.12	11,282,268,586	280,291	9,141,718
2010	88,795,000	(1,769,288)	632,901	-	87,025,712	*	0.77%	\$310.18	11,327,397,410	280,566	*

(a) Population and personal income data can be found on page 168

(b) Property data can be found on page 153

* Information not yet available

Note: The County changed its assessed value in 2003 from 40% to 100% of market value

COUNTY OF ERIE, PENNSYLVANIA
Direct and Overlapping Governmental Activities Debt
as of December 31, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Cities:			
Corry	\$ -	100.00%	\$ -
Erie	n/a	100.00%	n/a
Total Cities	<u>-</u>		<u>-</u>
Boroughs:			
Albion	640,282	100.00%	640,282
Cranesville	-	100.00%	-
Edinboro	612,648	100.00%	612,648
Elgin	-	100.00%	-
Girard	1,227,373	100.00%	1,227,373
Lake City	n/a	100.00%	n/a
McKean	n/a	100.00%	n/a
Mill Village	8,762	100.00%	7,109
North East	4,066,098	100.00%	4,066,098
Platea	n/a	100.00%	n/a
Union City	72,377	100.00%	72,377
Waterford	n/a	100.00%	n/a
Wattsburg	848,244	100.00%	848,244
Wesleyville	236,296	100.00%	236,296
Total Boroughs	<u>7,712,080</u>		<u>7,710,427</u>
Townships:			
Amity	-	100.00%	-
Concord	n/a	100.00%	n/a
Conneaut	-	100.00%	-
Elk Creek	5,833	100.00%	5,833
Fairview	-	100.00%	-
Franklin	163,041	100.00%	163,041
Girard	-	100.00%	-
Greene	-	100.00%	-
Greenfield	-	100.00%	-
Harborcreek	463,757	100.00%	463,757
Lawrence Park	316,387	100.00%	316,387
LeBoeuf	62,158	100.00%	62,158
McKean	3,836,306	100.00%	3,836,306
Millcreek	21,048,608	100.00%	21,048,608
North East	1,511,779	100.00%	1,511,779
Springfield	-	100.00%	-
Summit	-	100.00%	-
Union	n/a	100.00%	n/a
Venango	n/a	100.00%	n/a
Washington	431,234	100.00%	431,234
Waterford	-	100.00%	-
Wayne	163,702	100.00%	163,702
Total Townships	<u>\$ 28,002,805</u>		<u>\$ 28,002,805</u>

COUNTY OF ERIE, PENNSYLVANIA
Direct and Overlapping Governmental Activities Debt
as of Decmeber 31, 2010
(Continued)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
School Districts:			
City of Erie	\$ 105,143,876	100.00%	\$ 105,143,876
Corry Area	24,989,450	100.00%	24,989,450
Fairview	25,563,328	100.00%	25,563,328
Ft. LeBoeuf	n/a	100.00%	n/a
General McLane	13,390,000	100.00%	13,390,000
Girard	n/a	100.00%	n/a
Harborcreek	19,176,303	100.00%	19,176,303
Iroquois Area	28,850,048	100.00%	28,850,048
Millcreek	n/a	100.00%	n/a
North East	19,520,000	100.00%	19,520,000
Northwestern	5,150,000	100.00%	5,150,000
Union City Area	n/a	100.00%	n/a
Wattsburg Area	27,876,492	100.00%	27,876,492
Total School Districts	<u>\$ 269,659,497</u>		<u>\$ 269,659,497</u>
Subtotal Overlapping Debt	<u>\$ 305,374,382</u>		<u>\$ 305,372,729</u>
Total Direct Debt			
Total Direct and Overlapping Debt			<u>\$ 305,372,729</u>

n/a = information not available

Note: Percentage of overlap based on assessed property values
Source: Erie County Municipalities and School Districts

COUNTY OF ERIE, PENNSYLVANIA
Ratios of General Obligation Bonds Outstanding and Legal Debt Margin
Last Ten Years

	Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Assesd Value of Property	\$ 811,952,356	\$ 827,341,564	\$ 10,395,150,238	\$ 10,380,140,073
Percentage of net debt to assessed value	3.03%	2.66%	0.38%	0.37%
Population	281,749	282,475	282,892	280,833
Net bonded debt per capita in dollars	\$ 87	\$ 78	\$ 140	\$ 136
Debt Limit 300% of average gross revenue	\$ 623,781,096	\$ 651,153,056	\$ 664,744,809	\$ 698,376,009
<u>Amount of Debt Applicable to Limit</u>				
General Obligation Bonds	\$ 31,425,000	\$ 30,030,000	\$ 47,555,000	\$ 45,720,000
Less: Resources Restricted to Paying Principal	<u>(6,862,448)</u>	<u>(8,058,155)</u>	<u>(7,854,425)</u>	<u>(7,423,874)</u>
Total net debt applicable to limit	24,562,552	21,971,845	39,700,575	38,296,126
Legal Debt Margin	\$ 599,218,544	\$ 629,181,211	\$ 625,044,234	\$ 660,079,883
Total net debt applicable to the limit as a percentage of debt limit	3.94%	3.37%	5.97%	5.48%

*Assessed Value as of 12/31 of current year includes exonerations and additions

Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 10,567,128,750	\$ 10,948,946,060	\$ 11,079,225,801	\$ 11,185,706,711	\$ 11,282,268,586	\$ 11,327,397,410
0.62%	0.58%	0.56%	0.73%	0.77%	0.72%
280,184	279,811	280,446	279,175	280,291	280,566
\$ 234	\$ 227	\$ 220	\$ 291	\$ 310	\$ 292
\$ 723,547,860	\$ 748,838,606	\$ 814,429,000	\$ 926,390,630	\$ 1,007,874,207	\$ 1,034,994,660
\$ 72,315,000	\$ 69,580,000	\$ 68,800,000	\$ 88,325,000	\$ 93,750,000	\$ 88,795,000
<u>(6,624,954)</u>	<u>(6,168,694)</u>	<u>(7,211,971)</u>	<u>(7,196,475)</u>	<u>(6,931,318)</u>	<u>(6,918,724)</u>
65,690,046	63,411,306	61,588,029	81,128,525	86,818,682	81,876,276
\$ 657,857,814	\$ 685,427,300	\$ 752,840,971	\$ 845,262,105	\$ 921,055,525	\$ 953,118,384
9.08%	8.47%	7.56%	8.76%	8.61%	7.91%

COUNTY OF ERIE
Debt Statement Pursuant to Local Government Unit Debt Act
Statement as of December 31, 2010

	Electoral	Nonelectoral	Lease Rental
I. GROSS INCURRED DEBT			
Bonds Outstanding			
1977 Housing Authority (guarantee only)			\$ 780,000
1993 Hospital Authority for Pleasant Ridge Manor			1,433,164
1995 Higher Education Building Authority (guarantee only)			632,901
2003 G.O. Bond		\$20,415,000	
2005 Erie County Convention Center Authority (guarantee only)			45,390,000
2005 G.O. Bond		15,305,000	
2007 G. O. Bond		25,170,000	
2008 G.O. Bond		17,700,000	
2009 G.O. Bond		10,205,000	
Total gross incurred debt	\$ -	\$88,795,000	\$ 48,236,065
II. CREDITS AND EXCLUSIONS			
Less:			
Sinking funds, reserve accounts, bond proceeds		1,769,288	5,668,157
Current appropriations			
Uncollected special assessments			
Delinquent taxes and liens		5,149,436	
Surplus cash			
Solvent debts due			
Indemnifying insurance			
Self-liquidating debt			
Totals	\$ -	\$ 6,918,724	\$ 5,668,157
Net indebtedness	\$ -	\$81,876,276	\$ 42,567,908
Percentage of Legal Debt Limitation	0.00%	7.91%	3.08%

III. Aggregate principle amount of bonds or notes being issued or evidencing lease rental debt:

2010 Pleasant Ridge Manor letter of credit	\$ 1,700,000
2010 Pleasant Ridge Manor line of credit	\$ 1,000,000

Notes: The 2010 Line of Credit for Pleasant Ridge Manor (guarantee only) balance @ 12/31/10 was \$0.00

The County of Erie's guarantee of the Higher Educational building Authority's lease rental debt was called. In accordance with PA DCED, the County restructured this debt resulting in a more favorable interest rate.

COUNTY OF ERIE
 Borrowing Base Certificate
 Certificate as of December 31, 2010

	2008	2009	2010
Total Revenue Received	\$ 360,505,685	\$ 338,574,839	\$ 336,000,133
Less:			
State and Federal subsidies and reimbursements related to a particular project financed by debt			
Revenues, receipts and assessments pledged for self liquidating debt			
Interest on moneys in sinking funds pledged for debt	(60,252)	(16,395)	(9,350)
Grants and gifts-in-aid measured by construction of specific projects	-	-	-
Nonrecurring receipts	-	-	-
	360,445,433	338,558,444	335,990,783
Subtotals			
Total net revenues			\$ 1,034,994,660
Borrowing Base			
Total net revenues divided by three			\$ 344,998,220
Applicable Debt Limitations: Non-Electoral (300%)			\$ 1,034,994,660
Non-Electoral plus Lease Rental (400%)			\$ 1,379,992,880

COUNTY OF ERIE, PENNSYLVANIA
Demographic and Economic Statistics
Last Ten Years

Year	(1)	(2)	(2)	(3)			(4)	(4)	(5)
	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Elementary/Secondary School Enrollment			Employed Persons	Unemployment Rate	Number of Building Permits
				Public	Private	Total			
2001	281,749	\$ 6,901,666	\$ 24,504	42,727	9,369	52,096	135,000	5.80%	3,635
2002	282,475	7,078,675	25,068	42,322	9,139	51,461	133,700	7.40%	3,531
2003	282,892	7,218,648	25,505	41,980	8,764	50,744	130,700	7.00%	3,473
2004	280,833	7,516,373	26,764	41,978	8,115	50,093	131,400	6.30%	4,400
2005	280,184	7,754,000	27,676	42,076	7,381	49,457	133,700	5.40%	3,591
2006	279,811	8,190,575	29,259	42,008	6,810	48,818	133,600	5.20%	3,768
2007	280,446	8,730,790	31,203	41,897	6,446	48,343	134,000	5.50%	3,357
2008	279,175	9,112,456	32,586	41,343	6,164	47,507	134,200	6.20%	3,061
2009	280,291	9,141,718	32,615	41,228	5,844	47,072	127,100	9.00%	2,934
2010	280,566	*	*	41,751	5,636	47,387	125,400	9.40%	3,171

* Information not yet available

Sources:

- (1) 2001 - 2010 PA Dept of Labor and Industry
- (2) Pennsylvania Department of Labor and Industry
Bureau of Economic Analysis - 2009
- (3) Pennsylvania Department of Education, Bureau of Information Systems
- (4) Center for Workforce Information, Pennsylvania Department of Labor and Industry
- (5) Erie County Assessment Bureau

County of Erie, Pennsylvania
Principal Employers
Current Year and Ten Years Ago

(A) Company Name	Product or Service	2010			2001		
		(B) Number of Employees	Rank	Percentage of total County Employment	(C) Number of Employees	Rank	Percentage of total County Employment
General Electric Company	Locomotive Manufacturing	4,000	1	3.12%	4,800	1	3.56%
Hamot Medical Center	Health Related	3,159	2	2.46%	1,800	3	1.33%
Erie Indemnity Company	Insurance	2,330	3	1.82%	2,000	2	1.48%
Saint Vincent Health Center	Health Related	2,000	4	1.56%	1,400	5	1.04%
Pennsylvania State Government	State Government	2,000	5	1.56%	1,600	4	1.19%
City of Erie School District	Public Education	1,600	6	1.25%	1,300	6	0.96%
Wal-Mart	Department/Grocery Store	1,600	7	1.25%	-----	-----	-----
United States Government	Federal Government	1,600	8	1.25%	1,200	7	0.89%
County of Erie	County Government	1,100	9	0.86%	1,000	9	0.74%
Presque Isle Downs, Inc	Casino & Horse Racing	1,075	10	0.84%	-----	-----	-----
Verizon	Public Utility	-----	-----	-----	-----	-----	-----
Plastek Industries	Plastics Manufacturing	-----	-----	-----	1,100	8	0.81%
Pennsylvania State Government	State Government	-----	-----	-----	1,600	4	1.19%
Wegman's Food Markets	Supermarkets	-----	-----	-----	-----	-----	-----
Millcreek Township School District	Public Education	-----	-----	-----	800	10	0.59%
Tamarkin Company	Supermarkets (Giant Eagle)	-----	-----	-----	-----	-----	-----
		<u>20,464</u>		<u>15.97%</u>	<u>18,600</u>		<u>13.78%</u>

(A) Source: Center for Workforce Information, Erie City Office
Pennsylvania Department of Labor & Industry

(B) 2005 Erie Regional Chamber and Growth Partnership

(C) Erie County Planning Department generalization for relative comparison.

County of Erie, Pennsylvania
 Full Time Equivalent County Government Employees by Function
 Last Ten Fiscal Years

Full Time Equivalent Employees as of December 31

<u>Function/Program</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<i>General Government</i>	97.0	93.0	94.0	99.0	94.5	84.5	82.5	84.5	84.5	80.5
<i>Courts and Court Related</i>	294.0	294.0	298.0	328.0	319.0	313.0	313.5	314.5	309.5	298.0
<i>Corrections</i>	290.0	307.0	309.0	306.0	327.5	324.0	312.0	312.5	306.5	302.0
<i>Community Service</i>	304.0	281.0	275.0	264.0	257.0	251.0	235.0	232.0	230.0	230.0
<i>Library</i>	64.0	69.0	72.0	94.0	80.5	84.0	78.5	80.5	82.0	81.5
<i>Public Health</i>	71.0	74.0	79.0	83.0	82.5	80.5	80.5	86.0	85.0	80.0
<i>Total</i>	<u>1,120.0</u>	<u>1,118.0</u>	<u>1,127.0</u>	<u>1,174.0</u>	<u>1,161.0</u>	<u>1,137.0</u>	<u>1,102.0</u>	<u>1,110.0</u>	<u>1,097.5</u>	<u>1,072.0</u>

Source: County of Erie Workforce Report

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COUNTY OF ERIE, PENNSYLVANIA
Operating Indicators by Function
Last Ten Years

Function/Program	2010	2009	2008	2007	2006
General Government					
Receipts written	13,146	11,933	11,330	11,304	11,282
Checks written	45,143	45,941	53,223	51,376	50,645
Purchase orders issued	3,008	3,143	3,457	3,271	3,545
Ordinances and resolutions passed	207	248	320	235	259
Entry for Claims	12,606	12,271	10,681	12,302	10,666
Licenses issued (fishing, hunting, dog, doe, bingo)	27,286	29,214	32,496	25,957	26,542
Building permits monitored	3,171	2,934	3,061	3,357	3,768
Total taxable parcels	118,150	118,967	118,913	118,506	118,506
Total exempt parcels	4,416	4,359	4,407	4,298	4,299
Retired employees	40	40	15	12	18
Pension fund transactions processed	392	351	345	346	322
Full time employees	1,120	1,117	1,127	1,127	1,109
Part time employees	51	58	57	67	67
Deeds, mortgages, other recorded	33,036	34,447	33,160	38,875	40,611
Coroner cases	400	419	470	392	428
Autopsies performed	141	146	144	146	176
Discharged military personnel registered with Veteran Affairs	107	206	138	179	174
Bids received and opened	34	37	65	89	75
Special audits conducted	4	5	5	5	6
Fraud hotline calls received	35	25	25	27	28
Courts and Court Related					
New criminal cases	3,109	3,092	3,075	3,282	3,288
Jury trials	83	97	97	128	142
Non-jury trials	24	28	25	30	14
Criminal sentencings	2,540	2,318	2,479	2,663	2,584
New civil cases	3,941	2,560	2,108	1,621	1,401
Jury trials	12	6	14	15	20
Non-jury trials	8	11	7	15	15
Traffic citations (in thousands)	22	25	24	26	38
Summary offenses (in thousands)	12	13	13	14	15
Civil cases filed (in thousands [District Justice offices])	6	6	7	6	6
Criminal cases filed (in thousands [District Justice offices])	6	5	6	6	7
New support petitions filed	3,032	3,373	3,487	3,802	3,620
Modified petitions filed	2,472	2,670	2,967	3,368	3,450
Support conferences held	8,049	8,779	10,422	10,382	10,330
Support court hearings	418	368	303	347	387
Contempt court hearings	1,609	1,519	1,942	1,991	2,055
Support collections (in millions)	40	42	41	41	41
Warrants processed	943	1,744	3,311	2,357	1,891
Civil papers served	11,723	12,831	11,205	10,570	8,100
Sheriff sales	620	611	716	636	573

n/a = information not available

Source: Various County of Erie Departments

COUNTY OF ERIE, PENNSYLVANIA
Operating Indicators by Function
Last Ten Years

2005	2004	2003	2002	2001
10,366	7,102	7,270	7,405	6,539
49,791	50,744	45,467	n/a	n/a
3,154	2,903	2,766	2,854	2,690
218	220	209	177	188
11,595	11,680	11,213	n/a	n/a
26,117	27,904	n/a	n/a	n/a
3,591	4,732	3,667	3,774	4,224
117,948	n/a	n/a	n/a	n/a
3,919	n/a	n/a	n/a	n/a
23	78	16	22	9
264	365	199	216	179
1,079	1,065	1,076	1,060	1,037
75	72	68	74	71
45,328	50,155	66,857	64,516	49,937
412	398	399	452	422
183	158	130	100	144
155	142	171	184	194
76	71	50	48	67
6	4	4	4	4
37	16	n/a	n/a	n/a
3,176	2,764	2,978	2,790	2,963
165	155	131	119	109
12	18	11	7	20
2,421	2,296	2,068	1,782	2,052
1,349	1,102	917	942	974
28	25	34	31	23
15	13	17	22	20
44	37	41	42	43
14	15	15	16	16
5	5	5	6	6
6	5	6	5	5
3,893	3,990	3,701	3,946	3,530
3,350	3,348	3,448	3,631	3,884
10,858	10,942	10,532	11,191	10,074
421	358	376	272	316
1,648	1,955	2,052	1,401	1,222
40	40	40	38	34
1,662	n/a	n/a	n/a	n/a
7,981	n/a	n/a	n/a	n/a
600	520	422	313	268

COUNTY OF ERIE, PENNSYLVANIA
Operating Indicators by Function
Last Ten Years

Function/Program	2010	2009	2008	2007
Corrections				
Adult probation caseloads	2,954	2,788	2,874	3,112
Delinquency petitions	1,195	1,163	1,223	1,450
Delinquents in placement	128	149	149	154
Community Service				
Agricultural Easement Purchases	1	1	9	2
Land Use Reviews	239	236	240	254
Subdivisions and Land Development Reviews	176	188	233	281
HPMS Sample Section Field Reviews	131	124	124	121
Local Bridge Inspection Program Inspections and Traffic Counts	152	85	101	85
Calls received at Emergency 911 center	166,116	147,869	55	106,127
Drug and Alcohol general admissions	2,237	2,243	2,100	2,893
Drug and Alcohol clients authorized	2,432	2,528	2,488	2,893
Drug and Alcohol treatment providers	12	13	15	17
Children and Youth Abuse Referrals	932	851	934	859
Children and Youth intake evaluations	2,651	2,853	3,234	2,703
Children and Youth placements	574	676	617	715
Mental Health Mental Retardation clients in various programs	19,674	20,219	14,436	17,272
Cost of Mental Health Mental Retardation services (in millions)	52	52	82	83
Health Choices members in various programs	13,237	11,859	10,570	7,380
Cost of Health Choices services (in millions)	61	56	61	21
Library				
Bookmobile circulation	25,302	36,547	42,022	39,055
Main library circulation	771,626	817,513	923,961	829,635
Branch library circulation	681,968	706,143	508,448	624,051
Public Health				
Immunization client visits	1,965	2,840	2,140	2,337
Sexually transmitted disease client visits	2,075	2,191	2,161	2,180
Tuberculosis client visits	3,201	2,437	2,099	1,849
Nurse Family Partnership client visits	1,765	1,683	1,472	1,564
Maternal Child Health client visits	809	1,090	1,544	1,338
Average daily census in nursing home	330	340	354	365

Note: Health Choices fund established in 07/01/2007

n/a = information not available

COUNTY OF ERIE, PENNSYLVANIA
Operating Indicators by Function
Last Ten Years

2006	2005	2004	2003	2002	2001
3,274	3,135	3,426	3,427	3,438	3,802
1,519	1,315	1,587	1,492	1,395	1,350
163	181	188	187	187	188
4	13	n/a	n/a	n/a	n/a
232	209	n/a	n/a	n/a	n/a
314	421	n/a	n/a	n/a	n/a
110	110	n/a	n/a	n/a	n/a
95	122	n/a	n/a	n/a	n/a
101,237	103,504	105,031	97,202	105,974	103,998
2,221	1,808	1,827	1,997	2,512	2,829
2,713	2,241	2,155	2,087	n/a	n/a
19	13	10	10	n/a	n/a
753	580	n/a	n/a	n/a	n/a
2,463	2,377	2,319	1,987	1,748	1,630
994	1,150	879	n/a	n/a	n/a
22,203	22,582	20,083	21,005	20,276	17,773
87	80	78	77	74	62
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
33,596	38,388	45,313	50,160	55,156	51,025
871,716	854,679	902,192	878,099	802,933	855,072
581,819	523,365	456,210	734,763	867,309	885,080
1,961	1,158	1,430	1,532	1,781	2,740
2,328	2,399	2,232	2,199	1,970	1,821
3,899	2,298	2,046	2,077	2,372	2,861
1,306	n/a	n/a	n/a	n/a	n/a
1,106	n/a	n/a	n/a	n/a	n/a
372	356	362	355	354	355

COUNTY OF ERIE, PENNSYLVANIA
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government										
Buildings	4	4	4	4	4	4	4	4	4	4
Square footage	204,943	204,943	210,173	210,173	210,173	210,173	209,774	209,774	209,774	209,774
Vehicles	5	8	7	6	4	3	3	3	3	3
Courts and Court Related										
Sheriff vehicles	26	28	26	27	27	26	25	22	20	17
Sheriff search and rescue boat	0	0	0	0	1	1	0	0	0	0
Other department vehicles	14	14	16	16	15	15	7	7	4	1
Corrections										
Prison facilities	2	2	2	1	1	1	1	1	1	1
Square footage	205,720	205,720	205,720	177,720	177,720	177,720	175,320	175,320	175,320	175,320
Number of beds	690	690	690	695	695	694	694	557	557	557
Prison vehicles	6	5	6	5	5	4	4	4	4	4
Juvenile Detention center square footage	11,704	11,704	11,704	11,704	11,704	11,704	11,704	11,704	11,704	11,704
Juvenile Detention center beds	20	20	20	20	20	20	20	20	20	20
Probation vehicles	14	13	15	15	18	15	11	11	10	10
Community Service										
Human Services Building	1	1	1	1	1	1	1	1	1	1
Square footage	39,844	39,844	39,844	39,844	39,844	39,844	39,844	39,844	39,844	39,844
Emergency Management vehicles	18	20	18	19	16	13	5	3	3	3
Emergency Management watercraft	3	3	3	3	3					
Dependent Shelter square footage	7,462	7,462	7,462	7,462	7,462	7,462	7,462	7,462	7,462	7,462
Dependent Shelter beds	8	8	8	8	8	8	8	8	8	8
Public Health										
Buildings	2	2	2	2	2	2	2	2	2	2
Square footage	27,168	27,168	27,168	27,168	27,168	27,168	27,168	27,168	27,168	27,168
Health Department vehicles	6	6	5	5	5	10	6	4	4	1
Number of nursing homes*	2	2	2	2	2	2	2	2	2	2
Combined nursing home square footage	237,278	237,278	237,278	237,278	237,278	237,278	237,278	237,278	237,278	232,792
Average number of beds*	388	388	388	388	388	388	390	402	387	395
Library										
Blasco Memorial Library	1	1	1	1	1	1	1	1	1	1
Blasco square footage	158,200	158,200	158,200	158,200	158,200	158,200	158,200	158,200	155,000	155,000
Branch libraries	4	4	4	4	4	4	4	6	6	6
Combined branch square footage	25,249	25,249	22,652	15,922	15,922	15,922	15,922	22,782	22,782	22,782
Library vehicles	3	3	3	3	3	4	4	4	4	3

Source: County of Erie Operations Department
Pleasant Ridge Manor

* Pleasant Ridge Manor (East and West locations) are component units

* Bed count changes on specific dates making it necessary to take available bed days divided by days in the year to determine an annual average # of beds

COUNTY OF ERIE, PENNSYLVANIA
SALARIES OF PRINCIPAL COUNTY OFFICIALS
As of December 31, 2010

<u>Elected Officials</u>		<u>Salary</u>
Council Chairman (part-time)	Kyle Foust	\$ 9,121
Council Members (part-time)	Ronald Cleaver	8,587
	Phil Fatica	8,587
	Carol J. Loll	8,587
	Fiore A. Leone	8,587
	Joseph F. Giles	8,587
	Ebert Beeman	8,587
County Executive	Barry Grossman	83,091
County Controller	Suzanne R. Weber	60,571
District Attorney	Jack Daneri	164,871
Sheriff	Robert G. Merski	62,258
Coroner	Lyell P. Cook	60,571
Clerk of Records	Patrick Fetzner	66,208
Common Pleas Judges	Ernie DiSantis, Jr., PJ	Paid by Commonwealth
	John Garhart	Paid by Commonwealth
	Shad Connelly	Paid by Commonwealth
	Elizabeth K. Kelly	Paid by Commonwealth
	Daniel Brabender Jr.	Paid by Commonwealth
	Stephanie Domitrovitch	Paid by Commonwealth
	Michael E. Dunlavey	Paid by Commonwealth
	William Cunningham	Paid by Commonwealth
	John Trucilla	Paid by Commonwealth
District Justices	15 Total	Paid by Commonwealth

Officials Appointed by County Executive

Director of Administration	Gerald Mifsud	\$ 60,000
Director of Finance	James Sparber	69,874
Director of Personnel	Peter Callan	60,000
County Solicitor (part-time)	Gary Shapira, Esq.	40,000
Public Defender	Darrel Vandeveld	57,730
Assistant Public Defenders	7 Full Time 12 Part Time	684,485

Employees

The County employs an average 1,120 full-time equivalent employees (calculated by dividing total paid hours by 37.5 hours work week), including those described above, at an average annual compensation of

\$ 44,159

The highest paid non elected employee is the Chief County Detective at: 102,728

Employee compensation is determined in accordance with the County Personnel Code, Pay Plan, and Bargaining agreements.

Pleasant Ridge Manor

Pleasant Ridge Manor employs an average of 424.5 full-time equivalent employees (calculated by dividing total paid hours by actual hours paid as appropriate for each pay class) at an average annual compensation of

\$ 36,532