

**COUNTY OF
ERIE,
PENNSYLVANIA**

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

**FOR THE YEAR ENDING
DECEMBER 31, 2011**

**Presented By:
Erie County Finance Department**

COUNTY OF ERIE, PENNSYLVANIA
Comprehensive Annual Financial Report
For the Year Ended December 31, 2011

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JAMES R SPARBER
FINANCE DIRECTOR

SUE ELLEN PASQUALE
MANAGER OF ACCOUNTING

Barry Grossman, County Executive

June 15, 2012

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 am pleased to present the comprehensive annual financial report of the County of Erie for the fiscal year ended December 31, 2011.

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, 2011.

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, 2011, 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 and blended 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 discretely presented component units, and as such their financial data is presented separately from the primary government. Erie County Care Management is a blended special revenue fund component unit in this report because the services provided are so intertwined with the primary government that is in substance, the same as the primary government. 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, promulgating fiscal policy, 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. The legal level of budgetary control for Erie County is the department level. 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.

Property Assessments

The County has committed to a countywide reassessment cycle. The County has invested in new technology and is performing the current reassessment with county staff instead of hiring a consulting firm. It has been ten years since the last reassessment. Initial figures for the County show that overall property values increased about 25% over the last ten years. As a result of the reassessment, the 2012 County taxable assessed value changed from \$11.8 billion to \$14.7 billion before informal and formal hearings. Values in the City of Erie increased overall, with

some wards, such as the 2nd and 3rd wards, increasing slightly lower than average and some wards such as the 4th and 6th wards increased slightly more than the county average. Particular emphasis was placed on bringing lakefront property in line with the current market. Impact notices with current and 2013 assessed values were sent out in early 2012 to all property owners and are available on the County website, www.eriecountygov.org. Property owners can schedule an informal appeal with staff from the Assessment Department at no cost and present evidence to support their request to change the assessed value of their property. Official change notices will be sent out late May and June of 2012. If constituents are still unhappy with their values, a formal appeal can be filed and will be heard by the Assessment Board. Formal appeals will begin in July of 2012 and be completed in October of 2012. New values will be effective January 1, 2013.

The 2010 Census

The 2010 U.S. Census, released in 2011, showed little change in the population from 280,843 in 2000 to 280,566 in 2010. Over the same period of time the population of entire state of Pennsylvania increased 3.4%. The data shows that females make up 50.8% of the County and males, 49.2%. The racial composition of Erie County is 88.2% white, 7.2% African-American, 3.4% Hispanic or Latino, 1.1% Asian. The median age on Erie County is 38.4 years. The median household income from 2006-2010 is \$43,595; 15.6% of people live below the poverty level.

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:

During 2011 Erie County experienced signs of recovery, particularly in the manufacturing sector. Our largest employer, General Electric, reported that they added 1,300 jobs at the Erie GE Transportation plant in 2011 and are investing \$136 million into the facility. In February of 2012, GE received a contract from Kansas City Southern Railway to build thirty locomotives for \$54.6 million. Lord Corporation, a local aerospace company, contemplated moving its Erie facilities to North Carolina. With the efforts of the Governor's Action Team, state legislators, the County, Summit Township, the Economic Development Agency of Erie County, Summit Township Industrial and Economic Development Authority, and many others, a financing package involving grants, low interest loans and tax increment financing, will allow Lord not only to stay in Erie County, but to expand its business. Over the next five years, Lord will move into and renovate a vacant facility investing about \$60 million. Not only were 700 jobs saved, but 300 jobs are expected to be added. Space in the renovated facility will be available for rent to supplies for a horizontal integration.

In 2011, Hamot Hospital, the areas third largest employer, was sold to UPMC in Pittsburgh becoming UPMC Hamot Medical Center. The facility received \$100 million for the sale. They

also opened UPMC Hamot Women's Hospital, a newly constructed 93 bed state of the art facility, devoted to the healthcare needs of women and infants.

The housing market finished strong in 2011. The average residential sales price was \$137,758 in 2011, up from \$134,642 in 2010. The list-price –to-sold-price ratio was 95%, a strong sign for sellers. Excess inventory for residential homes disappeared during the last six months of the year, and 2012 started with a shortage of inventory.

The unemployment rate for Erie County dropped from 9.40% in 2010 to 8% for 2011. The US Department of Labor reported that the unemployment rate for Erie County dropped to 7.8% in March 2012.

Improvements for transportation are on the horizon. The Erie Metropolitan Transit Authority began a \$32 million project to relocate and expand the current facility. The new building will include administrative offices, a 129,000 square foot bus garage and a 10,000 square foot facility to wash and fuel the buses and trolleys. The Greater Erie Industrial Development Corporation (GEIDC) is working on the Erie Inland Port Project. With seed money from a \$3 million loan from Erie County and other funding streams, the GEIDC is planning to develop 240 acres of land in the Albion/Cranesville area for the use of rail-served industrial properties. Options to purchase properties are already in place and two companies who plan to locate at the site have submitted letters of intent. The development of the rail-served industrial properties is one of three main projects included in the Erie Inland Port Initiative. The initiative encompasses a twelve county region including with the goal of utilizing the region's water, rail and interstate assets to grow the region's economy.

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. The Finance Director is authorized to begin the process of refinancing debt if a present-value-economic gain of 3% is realized. In April of 2012, the County refunded portions of the 2003A tax-exempt and 2003C taxable bonds. This refunding saved over \$1 million in debt service over the life of the bonds. County Council also passed a parameters resolution allowing the County to refund 2005B and 2009 bonds should market conditions become more favorable. The County is currently completing a storm water management project at the County Courthouse. The County is also working with the 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.

County Council acts as the Board of Pleasant Ridge Manor, the County's nursing home. During 2011, the board voted to consolidate the current two facilities and explored the construction of a new modern facility in an effort to control costs and enhance revenue. The project has been estimated at approximately \$30 million which would be financed over a twenty year period. Due to the high cost of the project, the board is exploring the cost of renovating the west facility. An

agreement was finalized to sell 88 bed licenses to Millcreek Manor for \$2,512,000; Pleasant Ridge Manor expects state approval to transfer the licenses in the summer of 2012. Since Millcreek Manor intends to build a new nursing home with a completion date of December of 2013, the County anticipates closing the east facility in July of 2014. The County-owned east facility is housed on a campus that is home to a juvenile detention center and dependent shelter. Over the next two years the County must decide to either repurpose or sell the vacated property.

The County received \$1.3 million in grant funding to enhance radio communications for all public safety agencies. The Public Safety Department's mobile data terminal project provides vehicular computers, improves the radio tower infrastructure and enhances the fiber optic cabling to reinforce the existing Canopy radio system. This project should be completed by the end of 2012.

Future County Operations Budgets

In November of 2011, the County Council adopted the 2012 budget. The budget, net of internal service funds and transfers to other funds, is \$332.5 million and for the third year in a row, does not include a tax increase.

Fiscal Accomplishments and Concerns

The County successfully increased the unassigned fund balance in the General Fund and is in compliance with GASB 54. The County accomplished this over a period of time by freezing wages for two years for all county employees, closely monitoring overtime, travel and other discretionary spending, and investing in technology to reduce staffing needs and supplies. As a result, the County's bond rating of AA- was affirmed in March of 2012 by Standard & Poor's.

In February 2012, Governor Corbett unveiled his 2012-2013 budget proposal. His budget includes a 20% cut in state funding for county-level human services programs and a 4% cut to county owned nursing homes. It also calls for cuts in public health and library subsidies. If those cuts are realized, significant changes will be made in the delivery of programs affecting the most needy citizens in our community. Erie County is already preparing contingency plans and will not be willing to backfill cuts to state funding.

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 recommends the County to increase the level of unassigned fund balance in the General Fund. The 2012 County budget included funds sufficient to maintain a General Fund unassigned 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, 2010. 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, Amy Powers, 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, Jennifer Fisher, Mary Heintz, Melissa Plyler, Chelsey Ricketts, Karen Dorich, Jane Mehler, Dan DeCoursey, Rita Bishop and Steve Brown. Special thanks to Finance Director, Jim Sparber and Manager of Accounting for Human Services, Patrick Ryan.

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,


Sue Ellen Pasquale
Manager of Accounting

COUNTY OF ERIE, PENNSYLVANIA
List of Elected and Appointed Officials
December 31, 2011

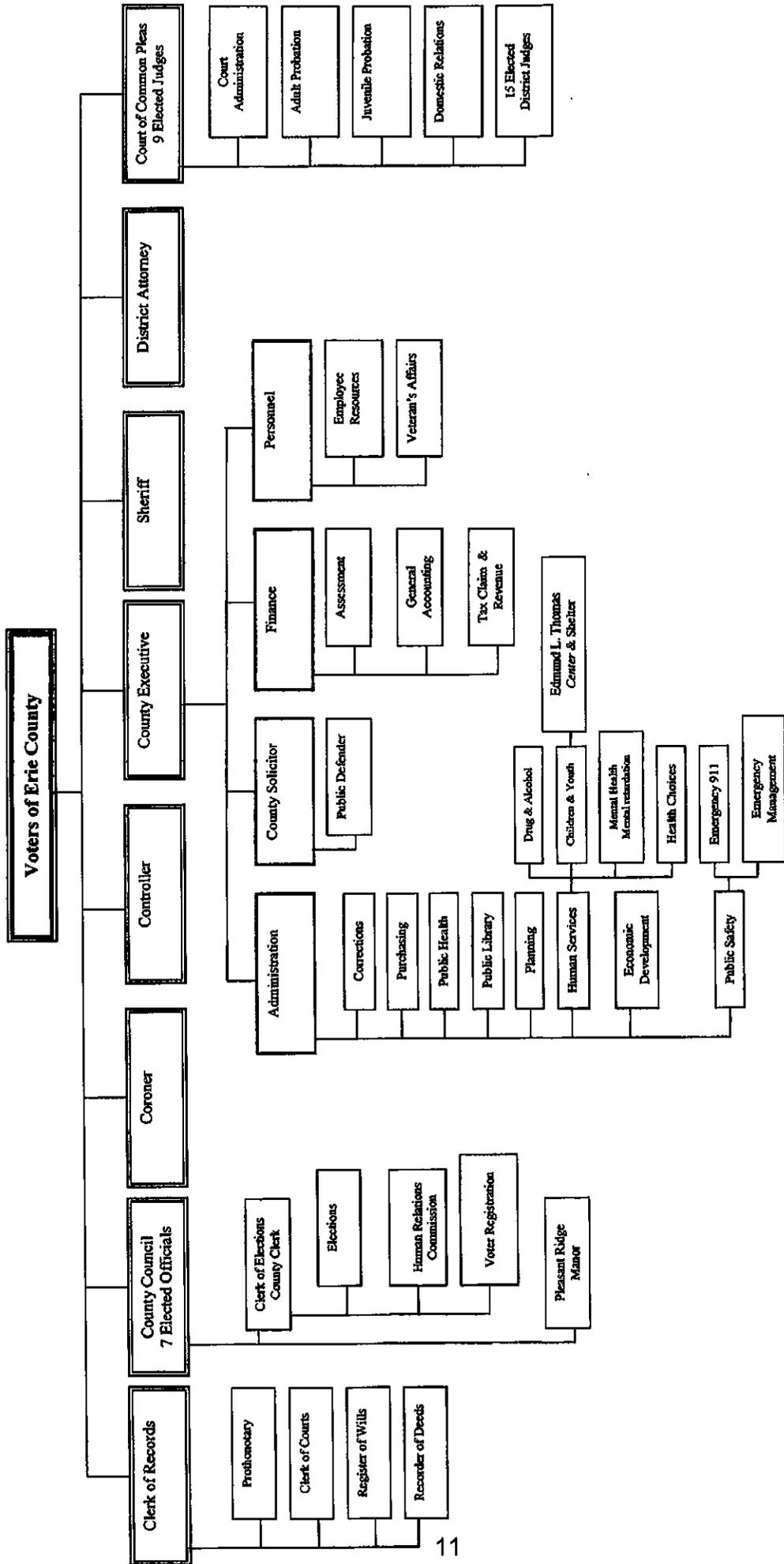
ELECTED OFFICIALS

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	Patricia Kennedy

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, 2010

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.



Linda C. Davison

President

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

INDEPENDENT AUDITORS' REPORT

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, 2011, 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 55.8%, 68.19% and 15.63%, 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 other 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, 2011, 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 2011 the COUNTY OF ERIE adopted the provisions of Governmental Accounting Standards Board's Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and, No. 59 "Financial Instruments Omnibus".

In accordance with *Government Auditing Standards*, we have also issued our reported dated June 15, 2012, 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.

<u>Harrisburg</u>	<u>Lehigh Valley</u>	<u>Philadelphia</u>	<u>Pittsburgh</u>
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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 36; 100; 101; and 103 through 108 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 schedules, 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 and schedules 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

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Pittsburgh, Pennsylvania
June 15, 2012

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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, 2011. 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, 2011. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

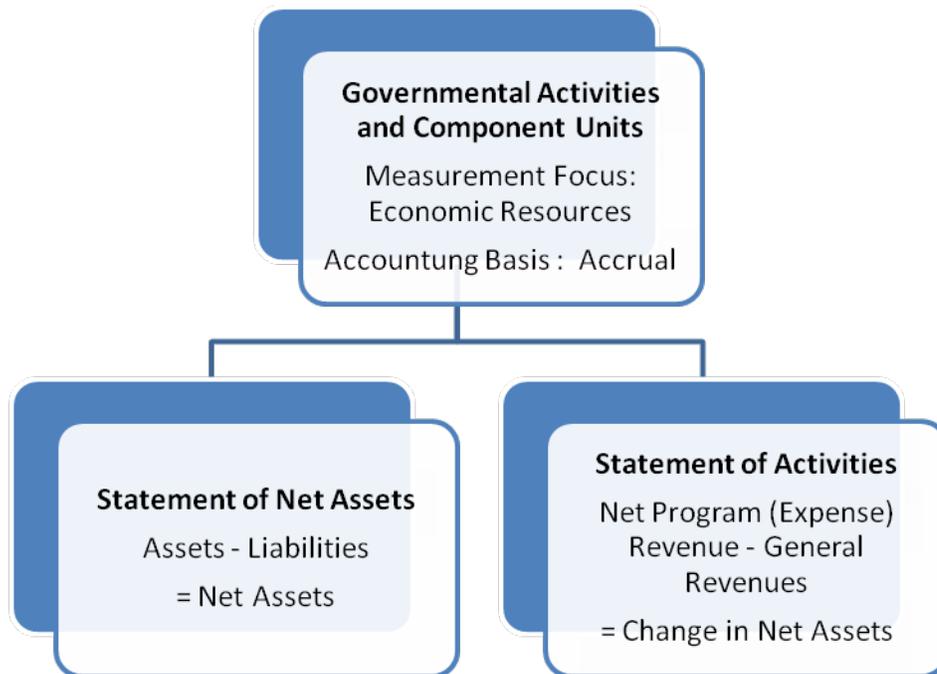
- Assets of the County of Erie exceed liabilities at December 31, 2011 by \$42,312,400 (net assets). Of this amount, \$15,155,043 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,902,351.
- As of the close of the current fiscal year, the County of Erie's governmental funds reported combined ending fund balances of \$83,739,114 an increase of \$1,520,607 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 \$6.3 million primarily due to both increased collections for delinquent taxes (\$1.1 million) and a decrease in special projects (\$2.5 million). Most governmental funds saw a decrease in budgeted expenditures including Children & Youth (\$2.1 million). Capital Projects Fund's fund balance declined \$3.5 million as projects either progressed or were completed, and fund balance in the Gaming Fund decreased \$6.2 million due to the resolution of lawsuit regarding the restricted gaming funds.
- The County's real property tax rate remained at 6.05 mills.
- The County's investment bond rating from Standard and Poor's remained at AA-. This rate was affirmed in October of 2011 and then again in March of 2012.
- At December 31, 2011, the County of Erie had \$83,660,000 of bonds outstanding. This represents a decrease of \$5,135,000 (5.8%) due to scheduled principal payments on debt. No new debt was issued in 2011.
- The total fund balance of the General Fund at December 31, 2011 was \$37,366,026. The unassigned portion of the fund balance was \$22,212,951 which is approximately 37.6% of expenditures in the General Fund for the fiscal year 2011. The unassigned fund balance increased over \$4 million in 2011.

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.

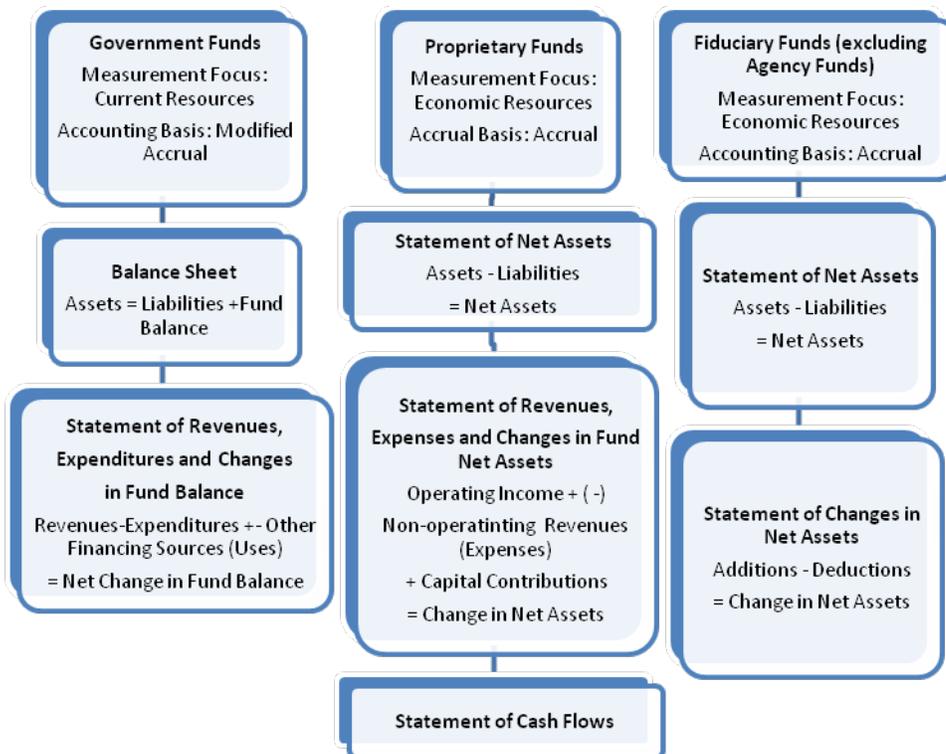
The *statement of activities* presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues 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 and combined agency funds. 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 the pension trust 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 \$42,312,400 at December 31, 2011. A portion of net assets, \$15,155,043 or 35.8 %, is unrestricted and may be used to meet the county's ongoing obligations to citizens and creditors.

Approximately (-21.8%) or \$(9,216,616), 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, 2011 With Comparative Totals for December 31, 2010

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 133,514,831	\$ 129,333,648
Capital assets	<u>53,277,952</u>	<u>56,541,955</u>
Total assets	<u>186,792,783</u>	<u>185,875,603</u>
Long-term liabilities outstanding	98,727,895	101,281,200
Other liabilities	<u>45,752,488</u>	<u>44,184,354</u>
Total liabilities	<u>144,480,383</u>	<u>145,465,554</u>
Net assets:		
Invested in capital assets, net of related debt	(9,216,616)	(7,891,335)
Restricted	36,373,973	23,788,624
Unrestricted	<u>15,155,043</u>	<u>24,512,760</u>
Total net assets	<u>\$ 42,312,400</u>	<u>\$ 40,410,049</u>

The remaining portion of the County of Erie's net assets, 86.0% or \$36,343,973, represents resources that are subject to external restrictions on how they may be used. Restricted net assets have increased \$12,585,349 from the previous year primarily due to increases in Health Choices, Gaming, ECCM and Planning. 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, \$15,155,043, or 35.8%, 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.

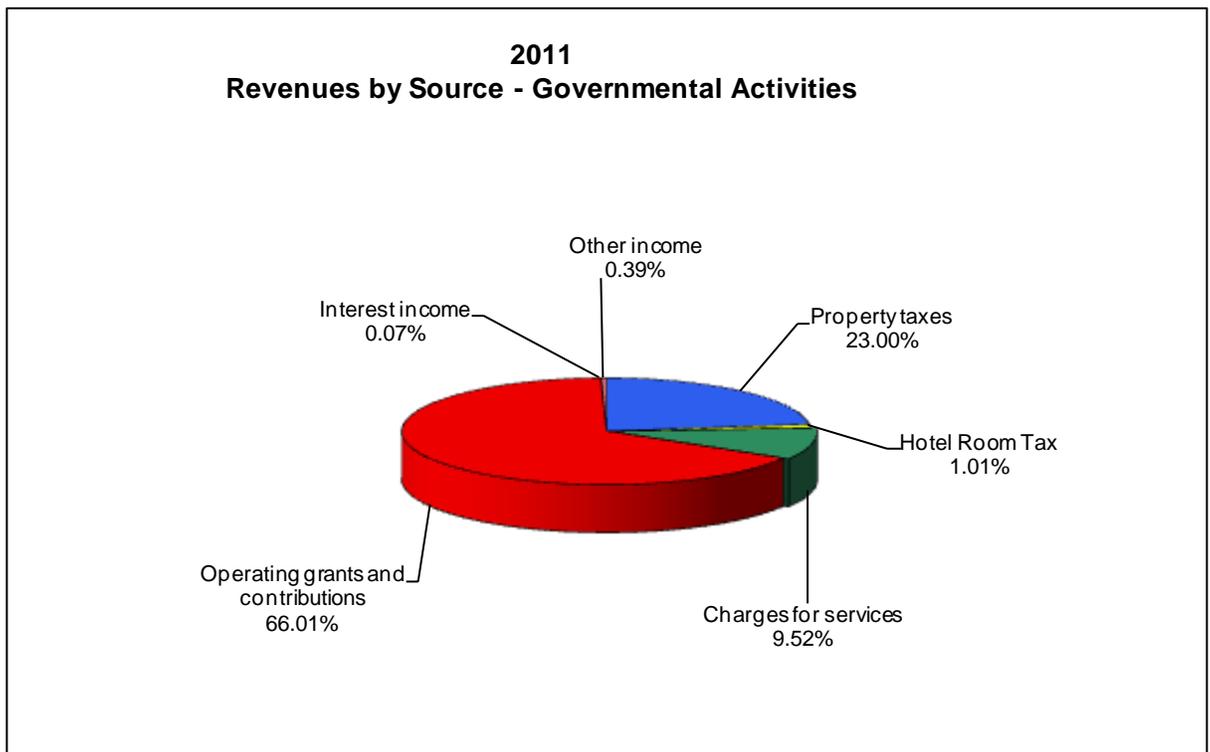
County of Erie - Change in Net Assets
Year Ended December 31, 2011
With Comparative Amounts for December 31, 2010

	Governmental Activities		
	2011	2010	Variance
Revenues:			
Program Revenues:			
Charges for services	\$28,638,189	\$30,342,188	(\$1,703,999)
Operating grants and contributions	198,657,284	200,659,383	(2,002,099)
General revenues:			
Property taxes	69,212,937	68,566,314	646,623
Hotel Room Tax	3,038,223	2,948,646	89,577
Interest income	233,771	320,697	(86,926)
Other income	1,185,132	736,610	448,522
Total revenues	300,965,536	303,573,838	(2,608,302)
Expenses:			
General government	14,546,971	15,852,381	(1,305,410)
Courts and related offices	23,659,667	23,301,291	358,376
Corrections	39,590,993	39,786,125	(195,132)
Community services	201,825,181	206,797,399	(4,972,218)
Public health	7,257,014	7,441,621	(184,607)
Public works	903,992	683,726	220,266
Library	7,267,748	7,306,003	(38,255)
Interest on long-term debt	4,011,619	4,179,569	(167,950)
Total expenses	299,063,185	305,348,115	(6,284,930)
Increase (decrease) in net assets	1,902,351	(1,774,277)	3,676,628
Net assets, Beginning of Year	40,410,049	42,184,326	(1,774,277)
Net assets, End of Year	\$42,312,400	\$40,410,049	\$1,902,351

Governmental activities Governmental activities in 2011 increased the County's net assets by \$1,902,351. Key elements of this increase are as follows:

- Property taxes increased slightly by \$646,623 (0.94%). This occurred due to an increase in the percentage of current taxes collected from 94.97% in 2010 to 95.05% in 2011. The tax millage remained the same at 6.05 mills.

- Hotel room rental tax of \$3,038,223 increased by \$89,577 from the \$2,948,646 collected in 2011. We believe this is due to an improvement in the economy.
- Charges for services declined nearly 6% or by \$1,703,999. Health Choices received \$1.7 million from the managed care organization in 2010 because the fee per client exceeded the cost of the services. Health Choices did not receive any funds of this manner in 2011 because the County started assuming all the risk of the program during 2011.
- Operating grants decreased by \$2,002,099 (1%) primarily due to reductions in state funding for Mental Health and Mental Retardation services (MHMR) and Children & Youth Services.
- Interest income continued to drop in 2011 by \$86,926 or 27.1% as interest rates declined. 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 fourth consecutive year.



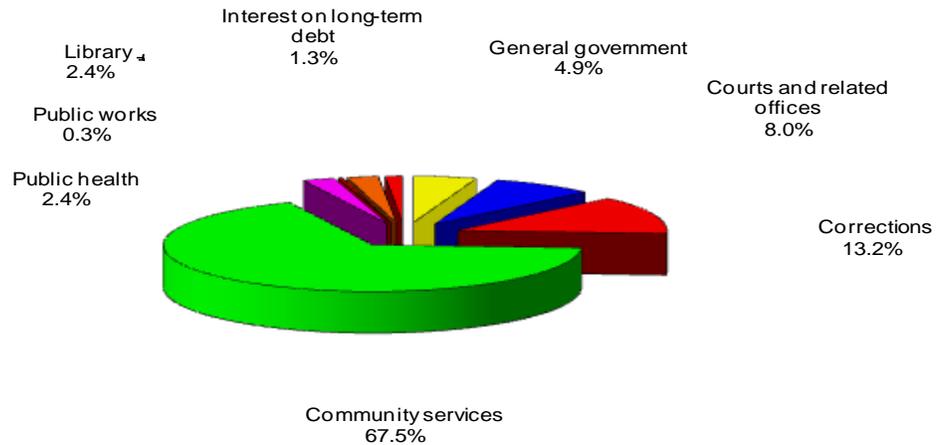
Program Expenses

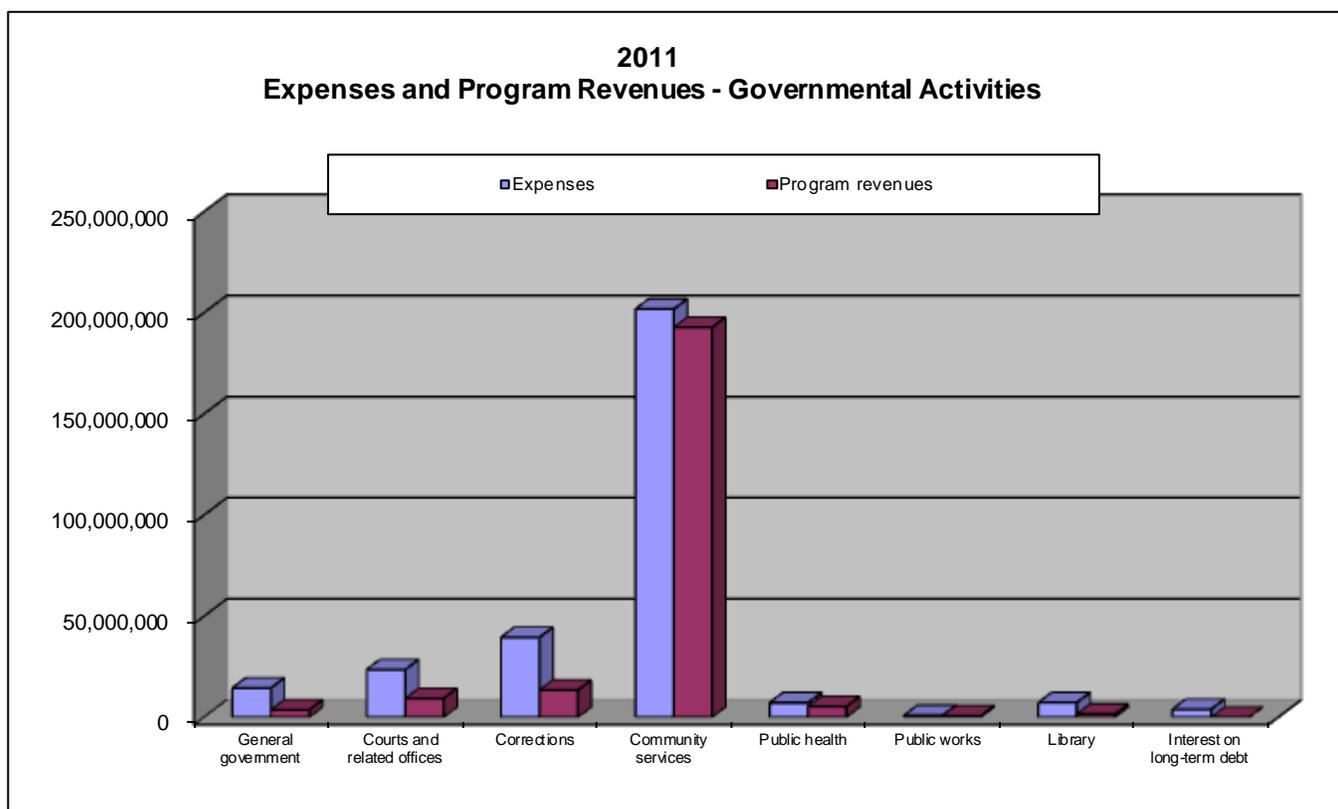
- General government expenses dropped by \$1,305,410 or 8.2%. This drop was related to accrual basis adjustment to produce government wide statements such as elimination of internal service funds and asset deletions, and reallocation of capital outlay.
- A modest 1.5% increase, or \$358,376, was related to courts and related expenditures. Inflationary increases in fringe benefits caused this increase.
- Correction expenditures of \$39,590,993 declined \$195,132 in 2011. The majority of the decrease occurred due to lower costs of the county's juvenile detention center.
- Just as operating grant revenue was down due to changes in MHMR and Children & Youth, so too were community service expenditures. They dropped \$4,972,218 or 2.4%.

- Public health expenditures decreased by \$184,607 or 2.5%. This occurred because grant revenue in Public Health decreased especially in the immunization grant, reducing the types and level of services provided.
- Public Works increased by \$220,266 or 32.2% because fund balance was used to increase grants to cities, townships and boroughs for road work.
- Library remained relatively flat with a slight decrease in expenses of \$38,255, or 0.5%.
- Interest on long term debt decreased by \$167,950 due to a reduction in long term debt of \$5,135,000.

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2011 County of Erie Program Expenses





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, *unassigned 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 \$83,739,114, an increase of \$1,520,607 in comparison with the prior year. Approximately 26% (\$21,868,365) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. *The non-spendable* portion of the fund balance of \$218,410 consists of prepaid expenses.

Restricted fund balance is set aside by law or by external sources for specific purposes. As of the end of 2011, the County has \$58,780,046 in restricted fund balance for a variety of purposes including: 1) Capital Projects (\$22,406,073), 2) Community Services (\$22,368,159) such as Health Choices, Gaming, Planning, Public Safety and ECCM, 3) Economic Development (\$11,000,000), 4) Debt Service (\$1,780,995), 5) Court and Related Offices (\$1,026,620), and 6) Public Works (198,199).

Assigned fund balance reflects amounts that the government intends to be used for a specific purpose that are neither restricted nor committed. The County assigned \$1,000,000 for Pleasant Ridge Manor, the county nursing home, because of the operating deficits the facilities have been experiencing and the knowledge that the pension expense budgeted in 2012 is much less than the actuarial required contribution. The county also assigned \$1.7 million to the Children & Youth Services Fund. For several years the state has deferred part of the Title IV-E funds it owes counties due to a pending lawsuit between the state of Pennsylvania and the federal government. The \$1.7 million is the estimated amount the state will owe Erie County as of 12/31/12 should it continue to defer payments for these services. Should the federal government prevail in recouping Title IV-E funds from the state of Pennsylvania, counties will be responsible for this shortage.

The County does not have any *committed fund balance* in which the highest decision making authority of the County, County Council, would set aside for a specific purpose.

Governmental fund revenues, expenditures and net changes at December 31, 2011 and 2010 were:

Governmental Fund Revenues, Expenditures, Other Financing and Net Change in Fund Balance In Dollars					
<u>Fund</u>	<u>2011</u>			<u>Net Change in Fund Balances</u>	
	<u>Revenues</u>	<u>Expenditures</u>	<u>Net Other Financing</u>	<u>2011</u>	<u>2010</u>
General Fund	\$88,751,492	\$59,144,306	(\$23,278,034)	\$6,329,152	\$8,622,114
Mental Health Mental Retardation	26,878,791	27,886,595	1,007,804	-	-
Children & Youth Services	58,568,172	66,582,899	8,014,727	-	-
Health Choices	80,710,588	76,039,152	-	4,671,436	1,824,541
Capital Projects	62,358	3,899,322	341,953	(\$3,495,011)	(3,946,746)
Liquid Fuels	769,825	903,992	-	(134,167)	85,180
Domestic Relations	3,474,966	4,840,505	1,347,029	(\$18,510)	(16,206)
Drug & Alcohol	4,754,541	5,036,406	281,865	-	-
Public Safety	3,888,381	5,668,987	1,016,966	(\$763,640)	(738,972)
Public Health	5,443,408	7,038,316	1,267,018	(\$327,890)	(63,210)
Library	1,683,270	6,140,497	4,447,206	(\$10,021)	(86,733)
Planning	3,501,956	3,675,252	646,622	\$473,326	179,859
Gaming	12,163,965	13,971,626	(4,369,163)	(\$6,176,824)	(6,205,686)
Erie County Care Management	10,352,365	9,391,316	-	961,049	573,083
Debt Service	10,155	9,274,455	9,276,007	\$11,707	(12,594)
Total Change	\$301,014,233	\$299,493,626	\$ -	\$1,520,607	\$214,630

The General Fund is the chief operating fund of the County of Erie. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$22,212,951, while total fund balance reached \$37,366,026. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 37.6% of total General Fund expenditures, while total fund balance represents 63.2% of that same amount.

During the current fiscal year, the fund balance of the County of Erie's General Fund increased by \$6,329,152. Revenues were \$2.3 million over budget, while expenditures were nearly \$945,000 under budget and transfers to other funds were \$2.2 million under budget. Key factors in this increase are as follows:

- Real Estate taxes were \$1.3 million over budget. The bulk of the increase came from an increase in the collection of delinquent taxes. For the second year in a row the collection rate of current taxes in the year of the levy increased.
- Hotel taxes were \$413,848 over budget, another positive sign of economic recovery.
- In 2011, the General fund earned \$1.5 million dollars less in grant revenue than in 2010. The County budgeted for the loss of federal and state funding and received \$224,888 more grants than budgeted. The prison, the District Attorney, the Courts and the value of the USDA donated commodities accounted for the increase over budget.
- An increase of \$215,091 in charges for services over the prior year. Decreases in fees generated by the Clerk of Records, Sheriff, the Prison and Coroner were offset by increases in Finance, General government, and the District Attorney.
- Increase in interest income reflects a stronger cash position despite low interest rates.
- In 2011, the County started a two-year freeze in wages throughout the County. Open positions were left vacant for a period of 30 - 60 days. These savings were seen in most departments in the General Fund. In total, wages were over \$460,000 under budget. Fringe benefits were nearly \$213,000 under budget.
- Expenditures budgeted for Finance net of wages and fringes were \$390,000 under budget. About half of the savings is attributed to the decision to delay in the completion of the reassessment. These expenditures were re-budgeted in 2012.
- Capital Outlay was \$164,000 under budget. Record improvement and automation fees restricted for the Recorder of Deeds and the Prothonotary capital were not spent and restricted at year end.
- The County borrowed \$18,000,000 in 2011 for the anticipation of tax and other revenue. Since interest rates are low, the County was able to secure an interest rate of 1.8%.
- Transfers to other funds were below budget by \$2.2 million in 2011. The transfer to Children & Youth Services was \$8.1 million. The County anticipated the resolution of the lawsuit between the federal government and the state of Pennsylvania over Title IV-E grant funds. The state has deferred a portion of the grant funds due to counties throughout the state in case the state needs to repay the federal government. The lawsuit has not been settled and the County did not have to transfer the funds budgeted to cover an anticipated loss in IV-E grant funding.

The Health Choices Fund experienced an increase in fund balance of \$4.6 million. This occurred in part due to a repayment from the County's managed care organization (MCO) due to client usage. The state has allowed the County to use these funds for risk and contingency. In July of 2011, the County changed the model it was using for Health Choices. A new MCO was appointed and the County chose to assume all of the risk in this program. This change in model has resulted in better local management of the health choices dollars and has not caused any financial burden on the County.

The Capital Projects Fund realized a 2011 decrease in fund balance of \$3,495,011. Progress was made on several projects that were financed by bond issues the County granted in excess of \$3 million to the Erie County Regional Airport Authority for the renovation and extension of the airport. The County upgraded the PLC system which controls the opening and closing of doors at the prison, spending \$475,000.

The Gaming Revenue fund balance declined by \$6,176,824 million due to debt service payments on the airport and Tullio Center bond issues, community grants, and the transfer of uncommitted funds to the Erie County Gaming Revenue Authority (ECGRA). As a result of a court order, all restricted money is now transferred to ECGRA once it is received by the County. The County is only holding restricted funds committed to a sewer project and any interest earned on those funds. Once the project is completed any residual restricted funding will be transferred to ECGRA.

Fund balance for Public Safety declined by \$763,640. 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. The state directly receives wireless funds and all counties in the state must apply to receive any funding. Additionally, the state has changed several categories of wireless expenditures, requiring a 40% shared cost. At the end of 2011, a large majority of the restricted fund balance is from the wireless fees. In the future the County share may need to be increased just to match and access the restricted fund balance.

Erie County Care Management's (ECCM) fund balance grew \$961,049 largely because the revenue from County contracts was based upon budgeted expenditures. Actual expenditures were \$514,509 under budget. ECCM has received \$369,371 more in grant funding than anticipated.

Both Public Health and the Library experienced decreases in fund balance. The \$327,890 decrease in Public Health is largely due to the loss of Act 537 grant funds for septic inspections from the state. In 2012 the state informed the County that not only would the County not receive the grant funds in 2012, but the \$104,304 owed to the County for 2010 and 2011 program expenditures would not be paid. Fund balance in the Library decreased by \$10,021. Gaming funds from the settlement of the lawsuit budgeted at \$165,000 in the library were not realized.

Change in Governmental Fund Balances
December 31, 2011
In Dollars

Fund	Beginning 1/1/11	Net Change in Fund Balances	Ending 12/31/11
General Fund	\$31,036,874	\$6,329,152	\$37,366,026
Mental Health Mental Retardation Children & Youth Services	-	-	-
Health Choices	4,152,695	4,671,436	8,824,131
Capital Projects	25,901,084	(3,495,011)	22,406,073
Liquid Fuels	332,366	(134,167)	198,199
Domestic Relations	21,737	(18,510)	3,227
Drug & Alcohol	-	-	-
Public Safety	1,645,527	(763,640)	881,887
Public Health	193,958	(327,890)	(133,932)
Library	(26,544)	(10,021)	(36,565)
Planning	491,510	473,326	964,836
Gaming	14,891,643	(6,176,824)	8,714,819
Erie County Care Management	1,808,369	961,049	2,769,418
Debt Service	1,769,288	11,707	1,780,995
Total Change	\$82,218,507	\$1,520,607	\$83,739,114

General Fund Budgetary Highlights

Differences in total expenditures and transfers out between the original adopted budget of \$87,153,333 and the final amended budget of \$85,964,798 were relatively minor (\$1,188,535 decrease in appropriations or a 1.36% decrease) and can be summarized as follows:

- \$2,604,116 decrease in various general government activities mainly due to elimination entries of \$2.7 million when preparing the CAFR. These annual elimination entries are for inter-fund and intra-fund billings.
- \$39,696 decrease in appropriations for court related activities due to savings from the retirement of some employees with many years of service at the County.
- \$111,382 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.
- \$565,299 increase in community services, which reflects an elimination entry to reclassify the transfer to Pleasant Ridge Manor, a component unit, from transfers to community services.
- \$317,227 increase in capital outlay due to the purchase of computer equipment for reassessment, and the appropriation of restricted fund balance for record improvements and automation improvements in the Clerk of Records office.
- \$684,133 increase in transfers to other funds, primarily to Domestic Relations (\$337,788) and the Library (\$354,515). Additional County funding was needed in Domestic Relations due to a change in the calculation of IV-E funding. In the Library \$62,115 was transferred to continue Sunday hours at the main library and \$292,400 was added to meet state standards for collection development and maintenance.

Capital assets The County of Erie’s capital assets for its governmental funds as of December 31, 2011 amount to \$53,277,952 (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 5.8% because depreciation expense exceeded capital additions during 2011.

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

- Upgrade of the PLC system which opens and closes the doors in the prison in the amount of \$475,483.
- Additional technology for the public safety building in the amount of \$118,639.
- County technology projects in the amount of \$63,161 funded by interest earned on capital projects financed by bond issues. These projects focus on improving financial systems for paperless accounts payable and the electronic disbursement of the County’s financial statements. These improvements resulted in the reduction of three positions in the Finance Department and the savings of \$7,000 in computer paper.

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	
	2011	2010
Land	\$1,177,815	\$1,177,815
Construction in Progress	62,795	52,999
Building and improvements	48,615,936	51,186,099
Vehicles	203,888	123,269
Furniture and equipment	3,217,518	4,001,773
	\$53,277,952	\$56,541,955

Long term debt At the end of the current fiscal year, the County of Erie had outstanding bonds of \$83,660,000, 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 @ 1/1/11	\$20,415,000	\$15,305,000	\$25,170,000	\$17,700,000	\$10,205,000	\$88,795,000
Plus: Debt Issued	-	-	-	-	-	-
Less: Principal Payments	(2,520,000)	(240,000)	(100,000)	(2,270,000)	(5,000)	(5,135,000)
Ending Balance @12/31/11	<u>\$17,895,000</u>	<u>\$15,065,000</u>	<u>\$25,070,000</u>	<u>\$15,430,000</u>	<u>\$10,200,000</u>	<u>\$83,660,000</u>

County Bond Rating

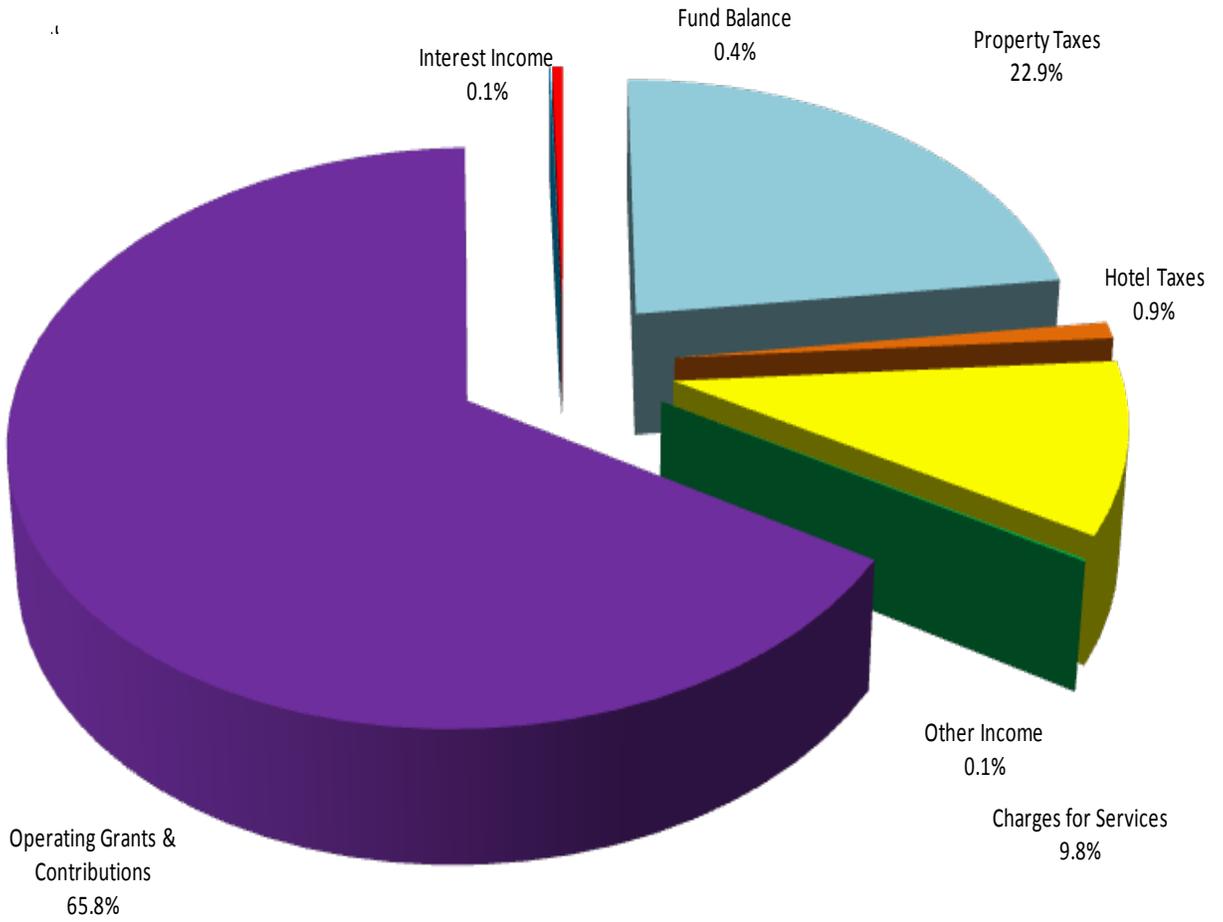
In October of 2011 Standard and Poor’s reviewed the County’s credit rating. The County again was reviewed by Standard and Poor in advance of the 2012 refunding bond issue. In both cases Standard and Poor’s maintained the County’s “AA-” rate.

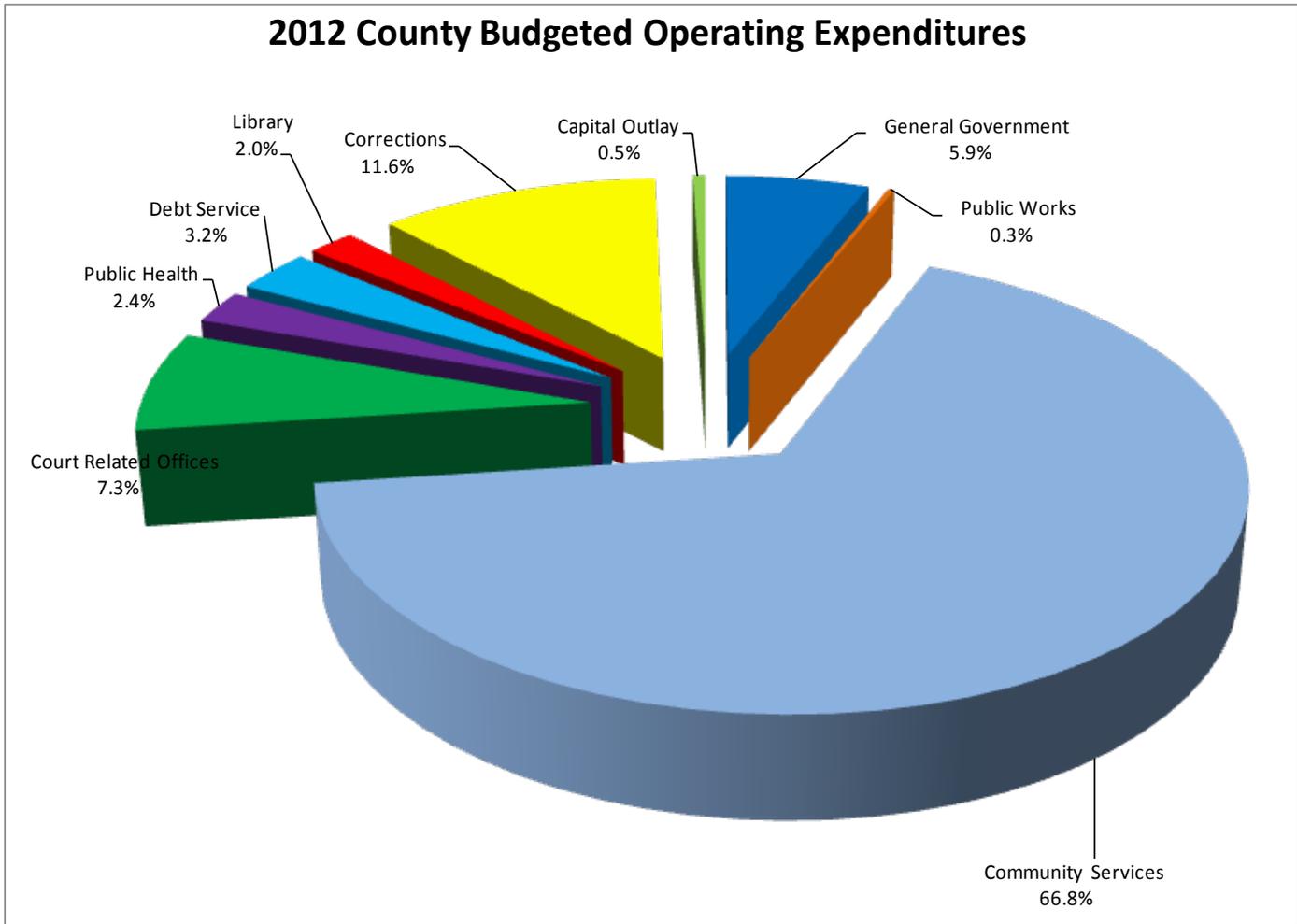
Economic Factors and Next Year’s Budgets and Rates

- The County has eight bargaining units and meet and discussion groups as well as a non-bargaining pay plan. The current contracts began in 2011 and extend through December 31, 2014. All 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% in 2014. Additionally, employees will pay more towards their health benefits.
- The County has realized savings from self-funded medical and dental plans and uses an internal service fund to account for all fringe benefits. Due to favorable usage in 2011 and prior, the total net assets increased in 2011 by \$1,237,248 to \$4,440,130. Therefore in 2012 the County deliberately under-budgeted medical benefits by \$1.8 million to reduce the total net assets of the fund. The rates were approved by the County’s fringe benefit committee and affirmed by County Council.

- The County's annual required pension calculation (ARC) changed from \$5,187,838 in 2011 to \$5,897,793 in 2012, a 13.7% increase. There are sufficient amounts budgeted in the governmental funds and the internal service fund to fully fund the ARC. The County transfers 1/12 of the ARC each month to the retirement fund.
- The Finance Department assigned \$1.7 million of the General Fund Balance at the end of 2011 for the possible shortfall of IV-E funds in Children & Youth Services Fund due to an unresolved lawsuit between the federal government and the state of Pennsylvania. An additional \$1 million was assigned to Pleasant Ridge Manor to cover the anticipated operating deficit, primarily caused by a sharp increase in pension costs.
- County Council, the Board of Trustee for Pleasant Ridge Manor is expected to decide whether to renovate the West nursing home facility or to authorize the construction of a new nursing home. The East facility will close in 2014.
- The County intends to eliminate the deficits in the Public Health Fund and the Library Fund by increasing the transfer from the General Fund. These ordinances have been placed on Council's Finance Agenda at the request of both the Administration and County Council.
- The County is anxiously awaiting the state's 2012-2013 budget. The Governor's budget proposal cuts grants to human service funds by 20% and cuts nursing home reimbursements by 4%. In addition, a portion of the human service funding will become block grant programs. It is still unclear how the state expects the block grant program to work. Several other county services have proposed budget cuts by the state. Currently the State Senate has approved a 10% cut in human service funds, and a 2% cut in nursing home reimbursements, but the budget is not finalized. The County is preparing for the worst case scenario and planning how to provide services with reduced state funding. The County does not anticipate back filling any reduction in state funds.
- The 2012 budget adopted by County Council maintains the millage rate of 6.05 mills for the third consecutive year.
- The 2012 budget calls for an increase in unassigned fund balance in the General Fund of \$4.2 million, and the use of \$1 million of fund balance in the Gaming Fund.
- The unemployment rate for the County of Erie for 2011 was 8.0%, a decrease from the 2010 rate of 9.40%. The unemployment rate in Erie County as of March 31, 2012 was 7.8%.
- Building permits issued decreased from 3,171 in 2010 to 2,596 in 2011. Erie County is currently experiencing a shortage of inventory of residential properties for sale. In 2011, residential property sold for 95% of the asking price.

2012 County Budgeted Operating Revenue





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.

Basic Financial Statements

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County of Erie, Pennsylvania
Statement of Net Assets
December 31, 2011

	Governmental Activities	Component Units
ASSETS		
Current assets:		
Cash and Investments	\$ 68,389,023	\$ 15,692,102
Investments	-	494,993
Receivables, net	51,666,003	5,727,618
Inventory	-	302,809
Prepaid Items	491,768	71,359
Other	-	10,370
Total current assets	120,546,794	22,299,251
Noncurrent assets:		
Restricted Cash	380,269	374,826
Restricted Investment	-	894,000
Other Assets	1,005,064	-
Advance to Redevelopment Authority	8,000,000	-
Receivable from General Authority	3,000,000	-
Deferred Charges	416,914	-
Net pension asset	165,790	19,972
Land and other nondepreciable assets	1,240,610	225,327
Capital assets, net	52,037,342	4,544,525
Total noncurrent assets	66,245,989	6,058,650
Total assets	\$ 186,792,783	\$ 28,357,901
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 25,027,838	\$ 2,637,945
Accrued liabilities	3,594,954	273,355
Workers Compensation payable	-	416,798
Self Insurance Payable	-	203,803
Due to other governmental units	4,285,954	-
Unearned revenue	6,137,061	-
Accrued interest payable	1,183,511	-
Notes payable	166,550	650,000
Compensated absences	36,620	400,107
Bonds payable	5,320,000	-
Other liabilities	-	10,370
Total current liabilities	45,752,488	4,592,378
Noncurrent Liabilities		
Client Funds Held in Trust	380,269	548,862
Compensated absences	1,762,337	-
Notes payable	308,797	-
Bonds payable	79,522,208	-
Other post-employment benefits	16,754,284	-
Total noncurrent liabilities	98,727,895	548,862
Total Liabilities	144,480,383	5,141,240
NET ASSETS		
Invested in capital assets, net of related debt	(9,216,616)	4,769,853
Restricted for:		
Economic Development	11,000,000	-
Debt Service	1,780,995	-
Liquid Fuels	198,199	-
Court and Related Offices	1,026,620	-
Community Services	22,368,159	-
Other purposes	-	1,541,538
Unrestricted	15,155,043	16,905,270
Total Net Assets	\$ 42,312,400	\$ 23,216,661

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

COUNTY OF ERIE, PENNSYLVANIA
Statement of Activities
For the Year Ended December 31, 2011

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 14,546,971	\$ 3,727,630	\$ 32,111	\$ -
Courts and Related Offices	23,659,667	5,232,092	4,134,291	-
Corrections	39,590,993	2,391,228	11,142,892	-
Community Services	201,825,181	16,629,378	176,224,144	-
Public Health	7,257,014	451,045	4,942,780	-
Public Works	903,992	-	769,825	-
Library	7,267,748	206,816	1,411,241	-
Interest	4,011,619	-	-	-
	<u>299,063,185</u>	<u>28,638,189</u>	<u>198,657,284</u>	<u>-</u>
<i>Total Governmental Activities</i>	<u>299,063,185</u>	<u>28,638,189</u>	<u>198,657,284</u>	<u>-</u>
<i>Total Primary Government</i>	<u>\$ 299,063,185</u>	<u>\$ 28,638,189</u>	<u>\$ 198,657,284</u>	<u>\$ -</u>
Component Units				
Pleasant Ridge Manor	\$ 34,478,405	\$ 32,773,860	\$ 747,806	\$ -
Erie County Gaming Revenue Authority	3,753,619	6,166,151	-	-
<i>Total Component Unit</i>	<u>\$ 38,232,024</u>	<u>\$ 38,940,011</u>	<u>\$ 747,806</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	Component Units Total
\$ (10,787,230)	\$ -
(14,293,284)	-
(26,056,873)	-
(8,971,659)	-
(1,863,189)	-
(134,167)	-
(5,649,691)	-
(4,011,619)	-
<u>(71,767,712)</u>	<u>-</u>
<u><u>\$ (71,767,712)</u></u>	<u><u>\$ -</u></u>
\$ -	\$ (956,739)
<u>-</u>	<u>2,412,532</u>
<u><u>\$ -</u></u>	<u><u>\$ 1,455,793</u></u>

General Revenues:

Property Taxes	69,212,937	-
Hotel Room Tax	3,038,223	-
Interest Income	233,771	120,589
Other Income	1,185,132	369,648
Total General Revenues	<u>73,670,063</u>	<u>490,237</u>
Change in Net Assets	1,902,351	1,946,030
Net assets beginning of year	<u>40,410,049</u>	<u>21,270,631</u>
Net assets end of year	<u><u>\$ 42,312,400</u></u>	<u><u>\$ 23,216,661</u></u>

COUNTY OF ERIE, PENNSYLVANIA

Balance Sheet
Governmental Funds
December 31, 2011

ASSETS	General Fund	Mental Health Mental Retardation	Health Choices
Cash and Cash Equivalents	\$ 22,973,595	\$ 894,461	\$ 9,390,197
Restricted Cash and Cash Equivalents	-	-	-
Receivables, Net	9,210,096	2,172,196	13,845,853
Due from Other Funds	10,649,098	2,818,744	3,649
Prepaid Items	140,514	-	-
Other Assets	-	156,322	17,639
Advance to Redevelopment Authority	8,000,000	-	-
Receivable from General Authority	3,000,000	-	-
Total Assets	<u>\$ 53,973,303</u>	<u>\$ 6,041,723</u>	<u>\$ 23,257,338</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 1,294,754	\$ 1,881,181	\$ 14,292,475
Accrued Liabilities	1,564,005	59,396	18,856
Client Funds Held in Trust	-	-	-
Due to Other Funds	7,528,191	242,026	121,876
Due to Other Governmental Units	-	-	-
Unearned Revenue	893,520	3,859,120	-
Deferred Revenue	5,326,807	-	-
Total Liabilities	<u>16,607,277</u>	<u>6,041,723</u>	<u>14,433,207</u>
FUND BALANCES			
Non-spendable:			
Prepaid Expenses	140,514	-	-
Restricted:			
Public Works	-	-	-
Community Services	289,168	-	8,824,131
Court and Related Offices	1,023,393	-	-
Capital Projects	-	-	-
Debt Service	-	-	-
Economic Development	11,000,000	-	-
Assigned:			
Children & Youth	1,700,000	-	-
Pleasant Ridge Manor	1,000,000	-	-
Unassigned:	22,212,951	-	-
Total Fund Balances	<u>37,366,026</u>	<u>-</u>	<u>8,824,131</u>
Total Liabilities and Fund Balances	<u>\$ 53,973,303</u>	<u>\$ 6,041,723</u>	<u>\$ 23,257,338</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
\$ 1,307,649	\$ 4,650,713	\$ 21,468,493	\$ 7,703,915	\$ 68,389,023
-	-	-	380,269	380,269
14,129,430	8,235,634	665	3,961,304	51,555,178
105,182	-	1,018,853	1,393,702	15,989,228
-	-	-	77,896	218,410
831,103	-	-	-	1,005,064
-	-	-	-	8,000,000
-	-	-	-	3,000,000
<u>\$ 16,373,364</u>	<u>\$ 12,886,347</u>	<u>\$ 22,488,011</u>	<u>\$ 13,517,086</u>	<u>\$ 148,537,172</u>
\$ 5,460,050	\$ 24,396	\$ 58,635	\$ 1,544,727	\$ 24,556,218
534,085	1,109	-	1,147,689	3,325,140
-	-	-	380,269	380,269
10,050,502	29,801	23,303	2,790,910	20,786,609
-	4,116,222	-	169,732	4,285,954
328,727	-	-	1,055,694	6,137,061
-	-	-	-	5,326,807
<u>16,373,364</u>	<u>4,171,528</u>	<u>81,938</u>	<u>7,089,021</u>	<u>64,798,058</u>
-	-	-	77,896	218,410
-	-	-	198,199	198,199
-	8,714,819	-	4,540,041	22,368,159
-	-	-	3,227	1,026,620
-	-	22,406,073	-	22,406,073
-	-	-	1,780,995	1,780,995
-	-	-	-	11,000,000
-	-	-	-	1,700,000
-	-	-	-	1,000,000
-	-	-	(172,293)	22,040,658
<u>-</u>	<u>8,714,819</u>	<u>22,406,073</u>	<u>6,428,065</u>	<u>83,739,114</u>
<u>\$ 16,373,364</u>	<u>\$ 12,886,347</u>	<u>\$ 22,488,011</u>	<u>\$ 13,517,086</u>	<u>\$ 148,537,172</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, 2011

Differences in amounts reported for governmental activities in the statement on page 39:

Fund balances - total governmental funds (page 43)		\$83,739,114
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.		53,277,952
Certain long-term assets are not available to pay current period expenditures and are therefore are deferred in the funds.		5,326,807
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		4,440,130
Other post employment benefits are reflected on the statement of net assets, but are not considered a current expenditure for the fund statements		(16,754,284)
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		165,790
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ 83,660,000	
Bond premium	1,686,487	
Bond discount	(504,279)	
Deferred charges	(416,914)	
Compensated absences	1,798,957	
Accrued interest payable	1,183,511	
Note Payable	475,347	
		(87,883,109)
Net assets of governmental activities		\$42,312,400

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, 2011

	<u>General Fund</u>	<u>Mental Health Mental Retardation</u>	<u>Health Choices</u>
REVENUES			
Real Estate Taxes	\$ 69,261,634	\$ -	\$ -
Hotel Tax	3,038,223	-	-
Federal, State and Municipal Grants	5,017,176	26,864,220	80,058,539
Charges for Services	11,274,858	-	-
Interest Income	97,238	1,801	24,908
Other Income	62,363	12,770	627,141
	<u>88,751,492</u>	<u>26,878,791</u>	<u>80,710,588</u>
EXPENDITURES			
Current:			
General Government	14,150,111	-	-
Courts and Related Offices	17,414,791	-	-
Corrections	23,914,415	-	-
Community Services	2,726,238	27,866,781	76,012,147
Public Health	-	-	-
Public Works	-	-	-
Library	-	-	-
Other	-	-	-
Capital Outlay	628,397	19,814	27,005
Debt Service			
Principal	-	-	-
Interest	310,354	-	-
	<u>59,144,306</u>	<u>27,886,595</u>	<u>76,039,152</u>
Excess of Revenues Over (Under) Expenditures	<u>29,607,186</u>	<u>(1,007,804)</u>	<u>4,671,436</u>
Other Financing Sources (Uses)			
Transfers In	372,771	1,007,804	-
Transfers Out	(23,650,805)	-	-
	<u>(23,278,034)</u>	<u>1,007,804</u>	<u>-</u>
Net Change In Fund Balance	6,329,152	-	4,671,436
Fund Balances, Beginning of Year	<u>31,036,874</u>	<u>-</u>	<u>4,152,695</u>
Fund Balances, End of Year	<u>\$ 37,366,026</u>	<u>\$ -</u>	<u>\$ 8,824,131</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
\$ -	\$ -	\$ -	\$ -	\$ 69,261,634
-	-	-	-	3,038,223
57,811,143	-	-	28,906,206	198,657,284
756,896	12,098,774	32,500	4,475,161	28,638,189
133	65,191	29,858	14,642	233,771
-	-	-	482,858	1,185,132
<u>58,568,172</u>	<u>12,163,965</u>	<u>62,358</u>	<u>33,878,867</u>	<u>301,014,233</u>
-	-	-	-	14,150,111
-	-	-	4,840,505	22,255,296
13,673,327	-	-	-	37,587,742
52,881,108	13,971,626	3,296,624	23,564,384	200,318,908
-	-	-	7,038,316	7,038,316
-	-	-	903,992	903,992
-	-	-	6,110,499	6,110,499
-	-	-	5,850	5,850
28,464	-	602,698	237,575	1,543,953
-	-	-	5,292,554	5,292,554
-	-	-	3,976,051	4,286,405
<u>66,582,899</u>	<u>13,971,626</u>	<u>3,899,322</u>	<u>51,969,726</u>	<u>299,493,626</u>
<u>(8,014,727)</u>	<u>(1,807,661)</u>	<u>(3,836,964)</u>	<u>(18,090,859)</u>	<u>1,520,607</u>
8,122,727	-	341,953	19,237,569	29,082,824
(108,000)	(4,369,163)	-	(954,856)	(29,082,824)
<u>8,014,727</u>	<u>(4,369,163)</u>	<u>341,953</u>	<u>18,282,713</u>	<u>-</u>
-	(6,176,824)	(3,495,011)	191,854	1,520,607
-	14,891,643	25,901,084	6,236,211	82,218,507
<u>\$ -</u>	<u>\$ 8,714,819</u>	<u>\$ 22,406,073</u>	<u>\$ 6,428,065</u>	<u>\$ 83,739,114</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, 2011

Amounts reported for governmental activities in the Statement of Activities are different because: (page 40-41)

Net change in fund balances - total governmental funds (page 47)		\$ 1,520,607
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in the Statement of Net Assets.		2,111,347
Depreciation expenses on governmental capital assets included in the governmental activities in the Statement of Activities.		(5,364,208)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade ins, or donations) is to decrease net assets.		(11,142)
Other post employment benefits are reflected on the Statement of Net Assets but are not considered a current expenditure for the fund statements		(3,145,328)
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	5,135,000	
Note payments	157,554	
Change in compensated absences	100,983	
		5,393,537
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	(48,697)	
Change in accrued interest	77,930	29,233
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		(10,122)
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	(55,677)	141,179
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.		1,237,248
Change in net assets of governmental activities.		\$ 1,902,351

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

COUNTY OF ERIE, PENNSYLVANIA
 Statement of Net Assets - Proprietary Fund
 December 31, 2011

	Governmental Activities Internal Service Fund <hr style="border: 0.5px solid black;"/>
Assets	
Current Assets:	
Receivables	\$ 110,825
Due from Other Funds	4,797,381
Prepaid Expenses	<u>273,358</u>
Total Current Assets	<u>5,181,564</u>
Total Assets	<u><u>\$ 5,181,564</u></u>
Liabilities	
Current Liabilities:	
Accounts Payable - Medical Claims	\$ 471,620
Accrued Liabilities	269,814
Total Current Liabilities	<u>741,434</u>
Net Assets:	
Unrestricted	<u>4,440,130</u>
Total Net Assets	<u>4,440,130</u>
Total Liabilities and Net Assets	<u><u>\$ 5,181,564</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, 2011

	Governmental Activities Internal Service Fund <hr style="border: 0.5px solid black;"/>
Operating Revenues:	
Employer Contributions	\$ 27,533,680
Employee Contributions	570,835
	<hr style="border: 0.5px solid black;"/>
Total Operating Revenues	28,104,515
	<hr style="border: 0.5px solid black;"/>
Operating Expenses:	
Employee Benefits	8,961,746
Insurance Premiums	1,320,813
Claim Payments	16,584,708
	<hr style="border: 0.5px solid black;"/>
Total Operating Expenses	26,867,267
	<hr style="border: 0.5px solid black;"/>
Change in Net Assets	1,237,248
Total Net Assets - Beginning	3,202,882
	<hr style="border: 0.5px solid black;"/>
Total Net Assets - Ending	\$ 4,440,130
	<hr style="border: 1px solid black;"/>

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, 2011

Cash Flows from Operating Activities	
Cash received from users	\$ 28,104,515
Cash payments for employee benefits	<u>(28,104,515)</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	\$ 1,237,248
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in assets:	
Accounts receivable	(110,466)
Due from other funds	(1,017,565)
Prepaid items	(18,060)
Increase (decrease) in liabilities:	
Accounts payable - medical claims	(63,924)
Other current liabilities	<u>(27,233)</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, 2011

	<u>Pension Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 6,614,495	\$ 4,875,003
Investments, at fair value		
U.S. government obligations	28,366,293	688,837
Municipal bonds	235,135	-
Mutual funds	1,813,310	1,509,969
Corporate bonds	25,460,994	-
Common stocks	98,011,799	-
Property Trust	13,078,867	-
Property taxes receivable	-	9,524,062
Interest and other receivables	538,304	27,948
Other Assets	-	713,496
	<u> </u>	<u> </u>
Total assets	<u>\$ 174,119,197</u>	<u>\$ 17,339,315</u>
LIABILITIES		
Accounts payable	\$ -	\$ 7,815,253
Due to other individuals	-	-
Due to other governmental units	-	9,524,062
	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>17,339,315</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 174,119,197</u>	<u>\$ -</u>

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, 2011

Additions:

Contributions		
Employee contribution	\$	2,829,980
Employer contribution		<u>5,187,838</u>
Total contributions		<u>8,017,818</u>
Investment income		
Net Depreciation in Fair Value of Investments		(1,211,490)
Interest		2,193,415
Dividends		<u>1,658,137</u>
Total investment income		2,640,062
Less: Investment expenses		<u>898,746</u>
Net investment income		<u>1,741,316</u>
Total additions		<u>9,759,134</u>

Deductions:

Pension benefits		8,023,634
Refund of contributions		1,597,109
Death benefits		803,526
Administrative expense		<u>171,805</u>
Total deductions		<u>10,596,074</u>

Change in Net Assets		(836,940)
Net Assets - Beginning of year		<u>174,956,137</u>
Net Assets - End of year		<u><u>\$ 174,119,197</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, 2011

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, 2011

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 all members of the 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, 2011

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, 2011

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.

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, 2011

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.

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.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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

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.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

C) Basis of Presentation (Continued)

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.

c. 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.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

D) Budgets and Budgetary Accounting (Continued)

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.

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 \$1,748,618.

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.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

J) Capital Assets (Continued)

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.

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) Inter-fund Transactions

Interfund services provided and used 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.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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%

AFSCME and Non-bargaining, Appointed Officials
and Court Supervisors

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.

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.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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.

O) Net Assets/Fund Balances

GASB Statement No. 54 establishes accounting and financial standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions as follow:

Non-spendable – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.

Restricted - This classification consists of amounts that are restricted to specific purposes, as defined below by GASB Statement No. 34. The County's restricted fund balances consist of external enabling legislation for the state, federal or local government grants.

Committed – This classification consists of amounts used for specific purposes imposed by formal action of the County's highest level of decision –making authority (Chief Executive/Council). The removal or modification of the use of committed funds can only be accomplished by formal action prior to fiscal year-end by the County's highest level of authority.

Assigned – This classification consists of amounts constrained by the County's intent to be used for specific purposes that are neither restricted nor committed. The present procedure is for the Director of Finance to assign amounts to be used for specific purposes before issuance of audited financial statements. After such fund assignment, the Finance Department will provide County Council with a full reporting of its actions within thirty days.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

O) Net Assets/Fund Balances (Continued)

Unassigned – This classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance.

The County's GASB 54 Fund Balance Policy is to apply expenditures against any non-spendable funds, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

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. 54, "*Fund Balance Reporting and Governmental Fund Type.*" The adoption of this statement effect on the financial reporting information of the County is shown on the Governmental Funds Balance Sheet page 42 to 43 and the Non-major Governmental Funds Combining Balance Sheet pages 112 to 113.

The County adopted the provisions of GASB Statement No. 59, "*Financial Instruments Omnibus.*" 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, 2011

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

R) Pending Changes in Accounting Principles

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 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.

In June 2011, the GASB issued Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and net Position*" The County is required to adopt Statement No. 63 for its calendar year 2012 financial statements.

In June 2011, the GASB issued Statement No. 64, "*Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53.*" The County is required to adopt Statement No. 64 for its calendar year 2012 financial statements.

In March 2012, the GASB issued Statement No. 65, "*Items Previously Reported as Assets and Liabilities.*" The County is required to adopt Statement No. 65 for its calendar year 2012 financial statements.

In March 2012, the GASB issued Statement No. 66, "*Technical Corrections -2012-an amendment of GASB Statements No.10 and No.62.*" The County is required to adopt Statement No. 66 for its calendar year 2013 financial statements.

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

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

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.

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.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

Discretely Presented Component Units (Continued)

Pleasant Ridge Manor (PRM) (Continued)

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.

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. Each quarter, the County transfers the restricted gaming revenue to the Erie County Gaming Revenue Authority upon receipt of funds. The distribution of these restricted 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. The County of Erie is currently holding previously committed funds for a sewer improvement project in Summit Township. When the project is completed, any excess funds will be returned to the Authority.

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, 2011

NOTE 2: DEPOSIT AND INVESTMENT RISK

At December 31, 2011, the County's deposits, excluding the pension fund and discretely presented component units, had a carrying amount of \$73,644,295 and a bank balance of \$75,386,070, of which \$1,345,553 was covered by federal deposit insurance and \$74,040,517 was covered by collateral held under the pooling method.

	Bank	Book
Government Activities		
Cash and Cash Equivalents	\$ 70,093,011	\$ 68,389,023
Restricted Cash	380,269	380,269
Total Government Activities	70,473,280	68,769,292
Agency Funds		
Cash and Cash Equivalents	4,912,790	4,875,003
Investments	2,198,806	2,198,806
Total Agency Funds	7,111,596	7,073,809
Total	\$ 77,584,876	\$ 75,843,101

As of December 31, 2011, the County had the following debt investments and maturities within the Agency Funds:

Investment Type	Value	Than 1	1-5	6-10	Than 10
U.S. Government Treasuries	\$ 303,905	\$ 251,983	\$ 51,922	\$ -	\$ -
Fixed Income	384,932	-	287,300	97,632	-
Mutual Funds Fixed Income	1,509,969	1,509,969	-	-	-
Total	\$ 2,198,806	\$ 1,761,952	\$ 339,222	\$ 97,632	\$ -

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, 2011, \$74,040,517 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, 2011.

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, 2011

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, 2011, \$6,614,495 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, 2011.

As of December 31, 2011, the County had the following debt investments and maturities within its Retirement Fund accounts:

<u>Investment Type</u>	Fair Value	<u>Investment Maturities (In Years)</u>			
		Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
U.S. Government Agencies	\$ 7,837,178	\$ 551,654	\$ 2,442,247	\$ 888,903	\$ 3,954,374
U.S. Government Treasuries	20,529,115	3,472,505	10,900,236	6,156,374	-
Corporate Bonds	25,460,994	894,179	15,117,802	9,311,054	137,959
Municipal Bonds	235,135	-	138,050	97,085	-
Total	<u>\$ 54,062,422</u>	<u>\$ 4,918,338</u>	<u>\$ 28,598,335</u>	<u>\$ 16,453,416</u>	<u>\$ 4,092,333</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, 2011

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, 2011, 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	\$ 19,769,424	96%
U.S. Government Treasuries	Not Rated	759,691	4%
		<u>\$ 20,529,115</u>	<u>100%</u>
U.S. Government Agencies	AAA	3,525,273	45%
U.S. Government Agencies	A2	57,473	1%
U.S. Government Agencies	Not Rated	4,254,432	54%
Total		<u>\$ 7,837,178</u>	<u>100%</u>
Municipal Bonds	AA1	\$ 235,135	100%
Total		<u>\$ 235,135</u>	
Corporate Bonds	AAA	\$ 1,812,511	7.12%
Corporate Bonds	AA1	272,965	1.07%
Corporate Bonds	AA2	2,003,092	7.87%
Corporate Bonds	AA3	1,899,979	7.46%
Corporate Bonds	A1	2,136,065	8.39%
Corporate Bonds	A2	4,666,140	18.33%
Corporate Bonds	A3	3,088,675	12.13%
Corporate Bonds	B1	108,750	0.43%
Corporate Bonds	B2	100,250	0.39%
Corporate Bonds	BA1	414,789	1.63%
Corporate Bonds	BA2	519,363	2.04%
Corporate Bonds	BA3	114,250	0.45%
Corporate Bonds	BAA1	3,059,600	12.02%
Corporate Bonds	BAA2	3,677,141	14.44%
Corporate Bonds	BAA3	1,360,680	5.34%
Corporate Bonds	Not Rated	226,744	0.89%
Total		<u>\$ 25,460,994</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, 2011

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 72.6% and 27.4% respectively of the County's total investments in U.S. Government Agencies.

Pleasant Ridge Manor (PRM) – Component Unit

At December 31, 2011, Pleasant Ridge Manor's deposits had a carrying amount of \$1,856,818 and a bank balance of \$2,028,249, of which \$250,000 was covered by federal deposit insurance and \$1,778,249 was covered by collateral held under the pooling method.

	<u>Bank</u>	<u>Book</u>
Component Unit		
Cash and Cash Equivalents	\$ 250,852	\$ 92,999
Investments	494,993	494,993
Restricted Cash		
Cash and Cash Equivalents	388,404	374,826
Investments	894,000	894,000
Total Restricted Cash	<u>1,282,404</u>	<u>1,268,826</u>
 Total	 <u>\$ 2,028,249</u>	 <u>\$ 1,856,818</u>

As of December 31, 2011, 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	\$ 894,000	\$ 894,000	\$ -	\$ -	\$ -
U.S. Treasury Note	441,505	250,617	190,888	-	-
Common Stock	53,488	53,488	-	-	-
Total	<u>\$ 1,388,993</u>	<u>\$ 1,198,105</u>	<u>\$ 190,888</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, 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, 2011, \$1,778,249 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, 2011.

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, 2011

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 deposit may not be returned to it. The Authority does not have a policy for custodial credit risk. As of March 31, 2011, \$15,350,112 of the Authority's bank balance of \$15,600,112 was collateralized with securities held by the pledging financial institution and \$250,000 was covered by FDIC insurance.

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, 2011, is valued at \$380,269.

NOTE 4: RECEIVABLES

Receivables as of December 31, 2011 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	\$ 5,734	\$ -	\$ -	\$ 3,190
Taxes	8,793,673	-	-	-
Federal & State Grants	-	-	14,129,430	-
Sub-provider Advances	-	2,172,196	-	-
Other	2,159,307	-	-	8,232,444
Gross receivables	10,958,714	2,172,196	14,129,430	8,235,634
Less: Allowance for Uncollectibles	(1,748,618)	-	-	-
	<u>\$ 9,210,096</u>	<u>\$ 2,172,196</u>	<u>\$ 14,129,430</u>	<u>\$ 8,235,634</u>
	Capital Projects	Health Choices	Other Non- Major Funds	Total
Interest	\$ 665	\$ -	\$ 272	\$ 9,861
Taxes	-	-	-	8,793,673
Federal & State Grants	-	13,845,853	3,622,759	31,598,042
Sub-provider Advances	-	-	-	2,172,196
Other	-	-	338,273	10,730,024
Gross receivables	665	13,845,853	3,961,304	53,303,796
Less: Allowance for Uncollectibles	-	-	-	(1,748,618)
	<u>\$ 665</u>	<u>\$ 13,845,853</u>	<u>\$ 3,961,304</u>	<u>\$ 51,555,178</u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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, 2011, 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	\$ 5,326,807	\$ -
Grant draw downs prior to meeting all eligibility requirements	-	6,137,061
	<u>\$ 5,326,807</u>	<u>\$ 6,137,061</u>

Erie County Gaming Revenue Authority – Component Unit

The receivable balance at March 31, 2011 consists of the following:

2010 uncommitted funds to distribute	<u>\$ 224,695</u>
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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 2011 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, 2011 assessed real estate taxes equaled \$68,530,885 based on a total County valuation of \$11,327,398,824. Based on the 2011 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, 2011

NOTE 6: CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2011 was as follows:

Governmental Activities:

	December 31, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2011</u>
Capital assets not depreciated:				
Land	\$ 1,177,815	\$ -	\$ -	\$ 1,177,815
Construction in progress	52,999	9,796	-	62,795
Total capital assets not depreciated	<u>1,230,814</u>	<u>9,796</u>	<u>-</u>	<u>1,240,610</u>
Capital assets depreciated:				
Building and improvements	93,826,805	1,121,397	(12,480)	94,935,722
Vehicles	2,119,296	200,031	(47,512)	2,271,815
Furniture and equipment	21,174,208	780,123	(1,131,773)	20,822,558
Total assets depreciated	<u>117,120,309</u>	<u>2,101,551</u>	<u>(1,191,765)</u>	<u>118,030,095</u>
Less accumulated depreciation:				
Building and improvements	(42,640,706)	(3,691,560)	12,480	(46,319,786)
Vehicles	(1,996,027)	(119,412)	47,512	(2,067,927)
Furniture and equipment	(17,172,435)	(1,553,236)	1,120,631	(17,605,040)
Total accumulated depreciation	<u>(61,809,168)</u>	<u>(5,364,208)</u>	<u>1,180,623</u>	<u>(65,992,753)</u>
Total capital assets, being depreciated, net	<u>55,311,141</u>	<u>(3,262,657)</u>	<u>(11,142)</u>	<u>52,037,342</u>
Governmental activities capital assets, net	<u>\$ 56,541,955</u>	<u>\$ (3,252,861)</u>	<u>\$ (11,142)</u>	<u>\$ 53,277,952</u>

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

Government Activities:

General Government	\$ 1,433,774
Courts and related office	255,847
Corrections	1,131,018
Community Service	1,821,314
Public Safety	77,407
Library	644,848
Total	<u>\$ 5,364,208</u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 6: CAPITAL ASSETS (CONTINUED)

Pleasant Ridge Manor

Capital asset activity for the year :

	December 31, 2010	Additions	Deletions	December 31, 2011
Capital assets, not being depreciated:				
Land	\$ 150,490	\$ -	\$ -	\$ 150,490
Construction in Progress	46,556	28,281	-	74,837
Total capital assets, not being depreciated	<u>197,046</u>	<u>28,281</u>	<u>-</u>	<u>225,327</u>
Capital assets depreciated:				
Land improvements	556,298	-	-	556,298
Buildings and improvements	19,195,385	125,461	-	19,320,846
Furniture and equipment	9,429,661	292,458	(57,289)	9,664,830
Total capital assets being depreciated	<u>29,181,344</u>	<u>417,919</u>	<u>(57,289)</u>	<u>29,541,974</u>
Less accumulated depreciation:				
Land improvements	(382,444)	(30,118)	-	(412,562)
Buildings and improvements	(15,498,500)	(503,740)	-	(16,002,240)
Furniture and equipment	(8,325,026)	(314,910)	57,289	(8,582,647)
Total accumulated depreciation	<u>(24,205,970)</u>	<u>(848,768)</u>	<u>57,289</u>	<u>(24,997,449)</u>
Total capital assets being depreciated, net	<u>4,975,374</u>	<u>(430,849)</u>	<u>-</u>	<u>4,544,525</u>
Total capital assets, net	<u>\$ 5,172,420</u>	<u>\$ (402,568)</u>	<u>\$ -</u>	<u>\$ 4,769,852</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 2010 the Board voted that there be no COLA to be paid in 2011 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, 2011

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, 2012, the date of the latest actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	560
Terminated Plan Members Entitled to, but not yet Receiving Benefits	118
Active Plan Members	<u>1,178</u>
 Total	 <u><u>1,856</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, 2011, 2010 and 2009, were \$5,187,838, 4,318,312 and \$6,067,903, respectively, and are equal to the annual required contribution for each year.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 7: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Funding Status and Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was 86.2 percent funded. The actuarial accrued liability for benefits was \$209,254,000, and the actuarial value of the assets was \$180,478,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$28,776,000. The covered payroll (annual payroll of active employees covered by the plan) was \$43,176,000, and the ratio of the UAAL to the covered payroll was 66.6%.

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 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, 2011

NOTE 7: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Annual Pension Cost and Net Pension Obligation

The County's Annual Required Contribution for 2011 was determined as part of the January 1, 2012, actuarial valuation. The County's annual pension cost and net pension obligation to the Erie County Employee's Retirement System for 2011, was as follows:

Annual Required Contribution	\$ 5,187,838
Interest on Net Pension Obligation	(13,193)
Adjustment to Annual Required Contribution	<u>23,315</u>
Annual Pension Cost	5,197,960
Contribution	(5,187,838)
Change in Net Pension Obligation	10,122
Net Pension Obligation (Asset) - January 1, 2011	<u>(175,912)</u>
Net Pension Obligation (Asset) - December 31, 2011	<u><u>\$ (165,790)</u></u>

<u>Year Ended</u>	<u>Annual Pension Cost</u>	<u>Cost Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2009	\$ 6,077,385	99%	\$ 184,711
December 31, 2010	4,327,111	99%	175,912
December 31, 2011	5,197,960	99%	165,790

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, 2011

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, 2012 is as follows:

Current Employees	
Fully Vested	273
Non-Vested	42
Frozen	34
Retirees currently receiving benefits	203
Terminated Participants entitled to future benefits	84
Ineligible due to age or service	25
	<u>661</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, 2011

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, 2011 was \$2,013,389. The annual required contribution for the current year was determined as part of January 1, 2012 Actuarial valuation using the smoothed market value method. The actuarial cost method used was the unit credit method. The actuarial assumption includes a 6.30% 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	\$ 1,164,601
Investments	
U.S. Government Securities	4,795,038
Mutual Funds - Fixed Income	4,108,871
Common Stock	12,857,651
Mutual Funds - Equity	<u>11,026,522</u>
Total Investments	32,788,082
Receivables	
Interest and Dividends	51,792
Employer Contributions	<u>153,889</u>
Total Receivables	205,681
Total Assets	<u><u>\$ 34,158,364</u></u>
Net Assets:	
Held in Trust for Pension Benefits	<u><u>\$ 33,158,364</u></u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 7: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Pleasant Ridge Manor – Component Unit (Continued)

Statement of Changes in Fiduciary Net Assets

Additions:	
Contributions:	
Employee Contributions	\$ 1,010,305
Employer Contributions	2,013,389
Total Contributions	<u>3,023,694</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	(824,900)
Interest	110,894
Dividends	635,801
Total Investment Income	<u>(78,205)</u>
Less: Investment Expense	<u>(226,832)</u>
Net Investment Income	(305,037)
Miscellaneous	1,470
Total Additions	<u>2,720,127</u>
Deductions:	
Benefits Payments	1,439,996
Withdrawals	511,123
Administrative Expenses	23,589
Total Deductions	<u>1,974,708</u>
Net Increase	745,419
Net assets Held in Trust for Pension Benefits, Beginning of Year	<u>33,412,945</u>
Net Assets Held in Trust for Pension Benefits, End of Year	<u>\$ 34,158,364</u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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, 2011, 423 retired employees are covered by health insurance. The County's expenses for health insurance benefits were \$2,101,633 (\$2,988,893 net of retiree contributions of \$887,260) in 2011.

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 actuarially 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	544,358
ARC Adjustment	<u>(916,006)</u>
Annual OPEB cost	5,246,961
Contributions made	(2,101,633)
Increase in net OPEB obligation	3,145,328
Net OPEB obligation - beginning of year	<u>13,608,956</u>
Net OPEB obligation - end of year	<u><u>\$ 16,754,284</u></u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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>	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
December 31, 2009	\$ 5,166,627	30.12%	\$ 10,244,807
December 31, 2010	5,338,833	36.99%	13,608,956
December 31, 2011	5,246,961	40.05%	16,754,284

Funded Status and Funding Progress. As of January 1, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$53,534,624 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$53,534,624. The covered payroll was \$11,775,026, and the ratio of the UAAL to the covered payroll was 454.65%

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, 2011, 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; (6) health care cost trend of 10%, grading to 1% per year to 5% per year and (7) the inflation assumption rate 3%.

NOTE 9: RISK MANAGEMENT

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 2009 by \$93,793, 2010 by \$124,822 and 2011 by \$76,754.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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, 2011, total claims expenses and stop-loss insurance expenses were \$16,520,784. Claims expenses recorded as employee fringe expenditures represent claims processed as of December 31, 2011 and includes (\$471,620) claims payable.

The claims liability of \$471,620 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 1/1/10	\$ (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)
Claims Liability - Beginning of Year 1/1/11	\$ (535,544)
Current Year Premiums	16,584,708
Claims Payments and Administration	<u>(16,520,784)</u>
Claims Liability - End of Year 12/31/11	\$ (471,620)

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, 2011 is \$0.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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, 2010 to December 31, 2011:

	<u>2011</u>	<u>2010</u>
Claims Liability - Beginning of Year	\$ 531,435	\$ 440,806
Additions	360,739	445,096
Deletions	<u>(475,376)</u>	<u>(354,467)</u>
Claims Liability - End of Year	<u>\$ 416,798</u>	<u>\$ 531,435</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>2011</u>	<u>2010</u>
Claims Payable - December 31	\$ 152,002	\$ 134,019
Additions	5,974,531	5,229,562
Deletions	<u>(5,922,730)</u>	<u>(5,211,579)</u>
Claims Payable - December 31	<u>\$ 203,803</u>	<u>\$ 152,002</u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 10: LONG-TERM OBLIGATIONS

Long-term obligations outstanding at December 31, 2011, consisted of the following:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 88,795,000	\$ -	\$ 5,135,000	\$ 83,660,000	\$ 5,320,000
Less: Deferred Amounts:					
Bond Premium	1,923,619	-	237,132	1,686,487	-
Bond Discount	(544,555)	-	(40,276)	(504,279)	-
	<u>90,174,064</u>	<u>-</u>	<u>5,331,856</u>	<u>84,842,208</u>	<u>5,320,000</u>
Camtech Note Payable	632,901	-	157,554	475,347	166,550
Compensated Absences	<u>1,899,940</u>	<u>136,818</u>	<u>237,801</u>	<u>1,798,957</u>	<u>36,620</u>
	<u>\$ 92,706,905</u>	<u>\$ 136,818</u>	<u>\$ 5,727,211</u>	<u>\$ 87,116,512</u>	<u>\$ 5,523,170</u>

An analysis of debt service requirements to maturity on these obligations follows with the exception of accrued vacation pay and accrued sick time.

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, 2011

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

<u>Year</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding December 31, 2011</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>	\$ 17,895,000	\$ 2,620,000
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>	\$ 15,065,000	\$ 250,000

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

<u>Year</u>	Amount of Original <u>Issue</u>	<u>Purpose</u>	Balance Outstanding December 31, <u>2011</u>	Amounts Due Within One <u>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.	\$ 25,070,000	\$ 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.	\$ 15,430,000	\$ 2,345,000
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.	\$ 10,200,000	\$ 5,000
Total General Long-Term Debt Obligations at December 31, 2011			<u>\$ 83,660,000</u>	<u>\$ 5,320,000</u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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
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	3,190,000	375,139	310,000	730,056	115,000	1,042,321
2017-2021	2,300,000	767,400	9,830,000	2,493,463	8,815,000	4,635,406
2022-2025	1,125,000	102,300	3,835,000	319,275	15,710,000	1,980,746
Total	<u>\$ 17,895,000</u>	<u>\$ 4,225,478</u>	<u>\$ 15,065,000</u>	<u>\$ 6,610,019</u>	<u>\$ 25,070,000</u>	<u>\$ 11,868,639</u>

Year	2008 G.O. Bonds 3.25% to 5.00%		2009 G.O. Bonds 3.00% to 3.70%	
	Principal	Interest	Principal	Interest
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	355,793
2016	2,705,000	248,850	5,000	355,643
2017-2021	2,840,000	113,600	10,175,000	1,278,520
Total	<u>\$ 15,430,000</u>	<u>\$ 2,289,575</u>	<u>\$ 10,200,000</u>	<u>\$ 3,058,235</u>

Year	Total Debt Service		Total Debt Service
	Principal	Interest	
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	3,034,410	9,079,410
2016	6,325,000	2,752,009	9,077,009
2017-2021	33,960,000	9,288,389	43,248,389
2022-2026	20,670,000	2,402,321	23,072,321
Total	<u>\$ 83,660,000</u>	<u>\$ 28,051,946</u>	<u>\$ 111,711,946</u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

Short Term Debt

During 2011, 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, 2011.

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, 2011 is \$475,347.

<u>Year Ended</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2012	\$ 166,550	\$ 23,450	\$ 190,000
2013	175,665	14,335	190,000
2014	133,132	4,721	137,853
	\$ 475,347	\$ 42,506	\$ 517,853

Component Unit – Pleasant Ridge Manor (PRM)

Line of Credit

PRM has entered into a revolving line of credit agreement maturing February 15, 2012, for an amount not to exceed \$1,000,000. Advances under the line may be used for working capital or other general business purposes. Interest is payable on a monthly basis on the unpaid balance at the bank's Prime Rate minus 1.5%. At December 31, 2011, the unpaid balance is \$650,000.

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 12: SUMMARY DATA FOR COMPONENT UNITS

	Pleasant Ridge Manor	Erie County Gaming Authority	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 92,999	\$ 15,599,103	\$ 15,692,102
Investments	494,993	-	494,993
Receivables, net	5,502,923	224,695	5,727,618
Inventories	302,809	-	302,809
Prepaid items	63,993	7,366	71,359
Other current assets	10,370	-	10,370
Total current assets	<u>6,468,087</u>	<u>15,831,164</u>	<u>22,299,251</u>
Noncurrent assets:			
Restricted assets	1,268,826	-	1,268,826
Net pension asset	19,972	-	19,972
Net capital assets	4,769,852	-	4,769,852
Total noncurrent assets	<u>6,058,650</u>	<u>-</u>	<u>6,058,650</u>
Total assets	<u>\$ 12,526,737</u>	<u>\$ 15,831,164</u>	<u>\$ 28,357,901</u>
Liabilities:			
Current liabilities:			
Total current liabilities	\$ 4,592,378	\$ -	\$ 4,592,378
Noncurrent liabilities:			
Total noncurrent liabilities	<u>548,862</u>	<u>-</u>	<u>548,862</u>
Total liabilities	<u>5,141,240</u>	<u>-</u>	<u>5,141,240</u>
Net Assets:			
Invested in capital assets, net of related debt	4,769,853	-	4,769,853
Restricted	-	1,541,538	1,541,538
Unrestricted	2,615,644	14,289,626	16,905,270
Total net assets	<u>7,385,497</u>	<u>15,831,164</u>	<u>23,216,661</u>
Total liabilities and net assets	<u>\$ 12,526,737</u>	<u>\$ 15,831,164</u>	<u>\$ 28,357,901</u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 12: SUMMARY DATA FOR COMPONENT UNITS (CONTINUED)

Condensed statements of activities for component units.

	Pleasant Ridge Manor	Erie County Gaming Authority	Total
Expenses	\$ 34,478,405	\$ 3,753,619	\$ 38,232,024
Program revenues:			
Charges for services	32,773,860	6,166,151	38,940,011
Operating grants and contributions	747,806	-	747,806
Total Program Revenues	33,521,666	6,166,151	39,687,817
General revenues:			
Investment/interest earnings	5,149	115,440	120,589
Other revenue	369,648	-	369,648
Total General Revenues	374,797	115,440	490,237
Change in net assets	(581,942)	2,527,972	1,946,030
Net assets, beginning of year	7,967,439	13,303,192	21,270,631
Net assets, end of year	\$ 7,385,497	\$ 15,831,164	\$ 23,216,661

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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	\$ 10,649,098	\$ 7,528,191
MH/MR	2,818,744	242,026
Drug and Alcohol	605,382	23,731
Health Choices	3,649	121,876
Children and Youth	105,182	10,050,502
Domestic Relations	-	705,852
Planning	25,563	18,715
Library Fund	762,757	182,023
Public Health	-	337,900
Public Safety	-	1,522,689
Gaming	-	29,801
Capital Projects	<u>1,018,853</u>	<u>23,303</u>
Total Government Fund Types	15,989,228	20,786,609
<u>Proprietary Fund Type</u>		
Internal Service Fund	<u>4,797,381</u>	<u>-</u>
Total	<u>\$ 20,786,609</u>	<u>\$ 20,786,609</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	\$ 372,771	\$ 23,650,805
Drug and Alcohol	281,865	-
Debt Service	9,276,007	-
MH/MR	1,007,804	-
Domestic Relations	1,611,800	264,771
Children and Youth	8,122,727	108,000
Planning	646,622	-
Library Fund	4,447,206	-
Public Health	1,267,018	-
Public Safety	1,707,051	690,085
Gaming	-	4,369,163
Capital Project Fund	<u>341,953</u>	<u>-</u>
Governmental Fund Types	<u>\$ 29,082,824</u>	<u>\$ 29,082,824</u>

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 14: FUND BALANCES

Under GASB 54, fund balances are record as non-spendable, restricted, committed and assigned are not available for payments of other subsequent expenditures. The followings funds balances are recorded on the fund level of the financial statements:

<u>Funds:</u>	<u>Fund Balance:</u>	<u>Balances</u>
General Fund	<u>Non-spendable:</u>	
	These amounts are prepaid expenses	\$ 140,514
	<u>Restricted Funds:</u>	
	These funds are restricted for the Community Service program.	289,168
	These funds are restricted for the Courts and Related Offices.	1,023,393
	These funds are restricted for the Economic Development of Erie County.	11,000,000
	<u>Assigned Funds:</u>	
	<u>Children and Youth</u>	
	These funds are estimated deferred payments amounts that are due to the County for Title IV-E reimbursements from the Commonwealth of Pennsylvania.	1,700,000
	<u>Pleasant Ridge Manor</u>	
	This amount is assigned to the County Nursing Home to cover future projected deficits.	1,000,000
Health Choices	This amount is restricted for the Community Service program	8,824,131
Gaming Fund	This amount is restricted for projects for the Community Service program.	8,714,819
Capital Project Fund	This amount is restricted for capital projects.	22,406,073
Liquid Fuels Fund	This amount is restricted for the Public Work program.	198,199
Domestic Relations Fund	This amount is restricted for Court and Related Offices.	3,227
Public Health	<u>Non-spendable:</u>	
	This amount under non-spendable are prepaid expenses.	200
Library Fund	<u>Non-spendable:</u>	
	This amount under non-spendable are prepaid expenses.	1,596
Planning Fund	This amount is restricted for projects with the Community Service program.	964,836
Public Safety Fund	<u>Non-spendable:</u>	
	This amount under non-spendable are prepaid expenses.	27,037
	This amount is restricted for the Community Service program.	854,850
Erie County Care Management Fund	<u>Non-spendable:</u>	
	This amount under non-spendable are prepaid expenses.	49,063
	This amount is restricted for the Community Service program.	2,720,355
Debt Service Fund	This amount is restricted for future debt service.	1,780,995
	<u>Negative Unassigned Fund Balance</u>	
Public Health	This amounts represents excess expenditures over revenues.	(134,132)
Library Fund	This amounts represents excess expenditures over revenues.	(38,161)

COUNTY OF ERIE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 15: OPERATING LEASES

The County leases building and office facilities and other equipment under non-cancellable operating leases. Total costs for such leases were \$841,813 for the ended December 31, 2011. The future minimum lease payments for these are as follows:

<u>Year Ending</u>	<u>Amount</u>
2012	\$ 1,044,958
2013	860,987
2014	823,056
2015	764,103
2016	723,383
2017-2018	<u>870,780</u>
	<u><u>\$ 5,087,267</u></u>

NOTE 16: 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, 2011.

NOTE 17: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN MAJOR FUNDS

Gaming Fund expenditures exceeded the amount budgeted by \$6,716,918. The over expenditures in the Gaming Fund was the result of the settlement of a lawsuit filed by Summit Township and Summit Township Economic Development Authority over the use of restricted funds. The Court had placed an injunction on the distribution of restricted gaming funds. All parties agreed to a distribution plan and the County disbursed the restricted funds accordingly.

NOTE 18: SUBSEQUENT EVENTS

The County in February 2012 authorized a standby letter of credit in the amount of \$700,000 for Pleasant Ridge Manor in the connection with certain self-insurance agreements for the year of 2012.

On April 23, 2012, the County authorized the \$13,605,000 refunding bonds Series of 2012 A and B. The General Obligation Taxable Refunding Bonds amount of \$8,665,000 Series A of 2012 has a maturity date of 09/01/2020 with an interest rate of .65% to 2.773%. The General Obligation Taxable Refunding Bonds amount of \$4,940,000 with a maturity date of 09/01/2023 with an interest rate of .784% to 3.666%.

On February 7, 2012 Pleasant Ridge Manor Board approved the transfer of 88 Beds to Millcreek Manor upon the approval of Department of Public Welfare. The transfer will consist of 76 beds from the East Facility known as Pleasant Ridge Manor East located at 4728 Lake Pleasant Road, Erie PA, and 12 beds from the West Facility known as Pleasant Ridge Manor West located at 8300 West Road, Girard, PA. Millcreek Manor shall pay the Pleasant Ridge Manor the sum of \$24,000 per bed for each of the 88 Beds. Millcreek Manor will pay two separate payments of \$200,000 and \$24,000 per bed for a total aggregate payment of \$2,512,000.

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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, 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%
December 31, 2011	5,187,838	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 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>
01/01/2010	\$ 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%
01/01/2012	180,478	209,254	(28,776)	86.2%	43,176	-66.6%

* 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 (AAL)-PUC (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
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%
12/31/11	-	53,534,624	53,534,624	0%	11,775,026	454.65%

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, a juvenile detention center and a juvenile dependent shelter.

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real Estate Taxes	\$ 67,926,685	\$ 67,926,685	\$ 69,261,634	\$ 1,334,949
Hotel Tax	2,624,375	2,624,375	3,038,223	413,848
Federal, State and Municipal Grants	4,782,413	4,792,288	5,017,176	224,888
Charges for Services	13,693,742	11,000,822	11,274,858	274,036
Interest Income	25,010	25,010	97,238	72,228
Other Revenue	53,335	63,335	62,363	(972)
Total Revenues	89,105,560	86,432,515	88,751,492	2,318,977
EXPENDITURES				
Current:				
General Government	17,070,084	14,465,968	14,150,111	315,857
Courts and Related Offices	17,728,819	17,689,123	17,414,791	274,332
Corrections	24,361,169	24,249,787	23,914,415	335,372
Community Services	1,938,069	2,503,368	2,726,238	(222,870)
Capital Outlay	475,572	792,799	628,397	164,402
Debt Service	388,125	388,125	310,354	77,771
Total Expenditures	61,961,838	60,089,170	59,144,306	944,864
Excess of Revenues Over (Under) Expenditures	27,143,722	26,343,345	29,607,186	3,263,841
Other Financing Sources (Uses)				
Transfer Out to Component Units	(565,299)	-	-	-
Transfer In	1,022,198	1,022,198	372,771	(649,427)
Transfer Out	(25,191,495)	(25,875,628)	(23,650,805)	2,224,823
Total Other Financing sources (Uses)	(24,734,596)	(24,853,430)	(23,278,034)	1,575,396
Net Change in Fund Balance	2,409,126	1,489,915	6,329,152	4,839,237
Fund Balance, Beginning of Year	31,036,874	31,036,874	31,036,874	-
Fund Balance, End of Year	\$ 33,446,000	\$ 32,526,789	\$ 37,366,026	\$ 4,839,237

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 27,473,360	\$ 27,482,162	\$ 26,864,220	\$ (617,942)
Interest Income	15,000	4,028	1,801	(2,227)
Other Revenue	20,000	10,000	12,770	2,770
Total Revenues	27,508,360	27,496,190	26,878,791	(617,399)
EXPENDITURES				
Current:				
Community Services	28,583,360	28,557,690	27,866,781	690,909
Capital Outlay	25,000	38,500	19,814	18,686
Total Expenditures	28,608,360	28,596,190	27,886,595	709,595
Excess of Revenues Over (Under) Expenditures	(1,100,000)	(1,100,000)	(1,007,804)	92,196
Other Financing Sources (Uses) Transfer In	1,100,000	1,100,000	1,007,804	(92,196)
Total Other Financing Sources (Uses)	1,100,000	1,100,000	1,007,804	(92,196)
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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 60,429,287	\$60,412,070	\$57,811,143	\$ (2,600,927)
Charges for Services	721,897	721,897	756,896	34,999
Interest Income	3,500	3,500	133	(3,367)
Other Revenue	50	50	-	(50)
Total Revenues	61,154,734	61,137,517	58,568,172	(2,569,345)
EXPENDITURES				
Current:				
Corrections	15,128,733	15,128,733	13,673,327	1,455,406
Community Services	56,150,161	56,123,706	52,881,108	3,242,598
Capital Outlay	24,910	24,910	28,464	(3,554)
Total Expenditures	71,303,804	71,277,349	66,582,899	4,694,450
Excess of Revenues Over (Under) Expenditures	(10,149,070)	(10,139,832)	(8,014,727)	2,125,105
Other Financing Sources (Uses)				
Transfer In	10,257,070	10,247,832	8,122,727	(2,125,105)
Transfer Out	(108,000)	(108,000)	(108,000)	-
Total Other Financing Sources (Uses)	10,149,070	10,139,832	8,014,727	(2,125,105)
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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 70,004,410	\$ 76,864,568	\$80,058,539	\$ 3,193,971
Charges for Services	-	-	-	-
Interest Income	30,500	25,481	24,908	(573)
Other Revenue	-	-	627,141	627,141
Total Revenues	70,034,910	76,890,049	80,710,588	3,820,539
EXPENDITURES				
Current:				
Community Services	70,015,910	76,872,549	76,012,147	860,402
Capital Outlay	19,000	17,500	27,005	(9,505)
Total Expenditures	70,034,910	76,890,049	76,039,152	850,897
Excess of Revenues Over (Under) Expenditures	-	-	4,671,436	4,671,436
Other Financing Sources (Uses)				
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
Total Other Financing sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	4,671,436	4,671,436
Fund Balance, Beginning of Year	4,152,695	4,152,695	4,152,695	-
Fund Balance, End of Year	\$ 4,152,695	\$ 4,152,695	\$ 8,824,131	\$ 4,671,436

COUNTY OF ERIE, PENNSYLVANIA

Gaming Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for Services	\$ 11,000,000	\$ 11,000,000	\$ 12,098,774	\$ 1,098,774
Interest Income	124,020	124,020	65,191	(58,829)
Total Revenues	11,124,020	11,124,020	12,163,965	1,039,945
EXPENDITURES				
Current:				
Community Services	7,254,708	7,254,708	13,971,626	(6,716,918)
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	7,254,708	7,254,708	13,971,626	(6,716,918)
Excess of Revenues Over (Under) Expenditures	3,869,312	3,869,312	(1,807,661)	(5,676,973)
Other Financing Sources (Uses)				
Transfer In	-	-	-	-
Transfer Out	(4,369,463)	(4,369,463)	(4,369,163)	300
Total Other Financing Sources (Uses)	(4,369,463)	(4,369,463)	(4,369,163)	300
Net Change in Fund Balance	(500,151)	(500,151)	(6,176,824)	(5,676,673)
Fund Balance, Beginning of Year	14,891,643	14,891,643	14,891,643	-
Fund Balance, End of Year	\$ 14,391,492	\$ 14,391,492	\$ 8,714,819	\$ (5,676,673)

COUNTY OF ERIE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011

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, 2011

Special Revenue Funds

ASSETS	Liquid Fuels	Domestic Relations	Drug and Alcohol	Public Health	Library Fund
Cash and Cash Equivalents	\$ 185	\$ 316,592	\$ 359,414	\$ 550	\$ 2,013
Restricted Cash and Cash Equivalents	-	-	-	-	-
Receivables, Net	389,291	654,231	-	613,032	11,254
Due from Other Funds	-	-	605,382	-	762,757
Prepaid Items	-	-	-	200	1,596
Total Assets	<u>\$ 389,476</u>	<u>\$ 970,823</u>	<u>\$ 964,796</u>	<u>\$ 613,782</u>	<u>\$ 777,620</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 191,277	\$ 101,408	\$ 531,326	\$ 175,989	\$ 170,952
Accrued Liabilities	-	160,336	40,594	233,825	215,156
Client Funds Held in Trust	-	-	-	-	-
Due to Other Funds	-	705,852	23,731	337,900	182,023
Due to Other Taxing Units	-	-	-	-	-
Unearned Revenue	-	-	369,145	-	246,054
Total Liabilities	<u>191,277</u>	<u>967,596</u>	<u>964,796</u>	<u>747,714</u>	<u>814,185</u>
FUND BALANCES					
Nonspendable:					
Prepaid Expenses	-	-	-	200	1,596
Restricted for:					
Courts and Related Offices	-	3,227	-	-	-
Public Works	198,199	-	-	-	-
Community Services	-	-	-	-	-
Debt Service	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,132)</u>	<u>(38,161)</u>
Total Fund Balances	<u>198,199</u>	<u>3,227</u>	<u>-</u>	<u>(133,932)</u>	<u>(36,565)</u>
Total Liabilities and Fund Balances	<u>\$ 389,476</u>	<u>\$ 970,823</u>	<u>\$ 964,796</u>	<u>\$ 613,782</u>	<u>\$ 777,620</u>

Special Revenue Funds

Planning Fund	Public Safety Fund	Erie County Care Management	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 500,228	\$ 2,562,919	\$ 2,181,291	\$ 5,923,192	\$ 1,780,723	\$ 7,703,915
-	-	380,269	380,269	-	380,269
814,062	180,046	1,299,116	3,961,032	272	3,961,304
25,563	-	-	1,393,702	-	1,393,702
-	27,037	49,063	77,896	-	77,896
<u>\$ 1,339,853</u>	<u>\$ 2,770,002</u>	<u>\$ 3,909,739</u>	<u>\$ 11,736,091</u>	<u>\$ 1,780,995</u>	<u>\$ 13,517,086</u>
\$ 157,005	\$ 193,962	\$ 22,808	\$ 1,544,727	\$ -	\$ 1,544,727
23,382	113,643	360,753	1,147,689	-	1,147,689
-	-	380,269	380,269	-	380,269
18,715	1,522,689	-	2,790,910	-	2,790,910
169,732	-	-	169,732	-	169,732
6,183	57,821	376,491	1,055,694	-	1,055,694
<u>375,017</u>	<u>1,888,115</u>	<u>1,140,321</u>	<u>7,089,021</u>	<u>-</u>	<u>7,089,021</u>
-	27,037	49,063	77,896	-	77,896
-	-	-	3,227	-	3,227
-	-	-	198,199	-	198,199
964,836	854,850	2,720,355	4,540,041	-	4,540,041
-	-	-	-	1,780,995	1,780,995
-	-	-	(172,293)	-	(172,293)
<u>964,836</u>	<u>881,887</u>	<u>2,769,418</u>	<u>4,647,070</u>	<u>1,780,995</u>	<u>6,428,065</u>
<u>\$ 1,339,853</u>	<u>\$ 2,770,002</u>	<u>\$ 3,909,739</u>	<u>\$ 11,736,091</u>	<u>\$ 1,780,995</u>	<u>\$ 13,517,086</u>

COUNTY OF ERIE, PENNSYLVANIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011

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	\$ 769,825	\$ 3,366,358	\$ 4,555,197	\$ 4,942,780	\$ 1,411,241
Charges for Services	-	107,705	199,344	451,045	206,816
Interest Income	-	903	-	75	-
Other Income	-	-	-	49,508	65,213
Total Revenues	<u>769,825</u>	<u>3,474,966</u>	<u>4,754,541</u>	<u>5,443,408</u>	<u>1,683,270</u>
EXPENDITURES					
Current:					
Courts and Related Offices	-	4,840,505	-	-	-
Community Services	-	-	5,020,367	-	-
Public Health	-	-	-	7,038,316	-
Public Works	903,992	-	-	-	-
Library	-	-	-	-	6,110,499
Other	-	-	-	-	-
Capital Outlay	-	-	16,039	-	29,998
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>903,992</u>	<u>4,840,505</u>	<u>5,036,406</u>	<u>7,038,316</u>	<u>6,140,497</u>
Excess of Revenues Over (Under) Expenditures	<u>(134,167)</u>	<u>(1,365,539)</u>	<u>(281,865)</u>	<u>(1,594,908)</u>	<u>(4,457,227)</u>
Other Financing Sources (Uses)					
Transfers In	-	1,611,800	281,865	1,267,018	4,447,206
Transfers Out	-	(264,771)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,347,029</u>	<u>281,865</u>	<u>1,267,018</u>	<u>4,447,206</u>
Net change in fund balance	(134,167)	(18,510)	-	(327,890)	(10,021)
Fund Balances, Beginning of Year	332,366	21,737	-	193,958	(26,544)
Fund Balances, End of Year	<u>\$ 198,199</u>	<u>\$ 3,227</u>	<u>\$ -</u>	<u>\$ (133,932)</u>	<u>\$ (36,565)</u>

Special Revenue Funds					
Planning Fund	Public Safety Fund	Erie County Care Management	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 2,704,772	\$ 2,174,756	\$ 8,981,277	\$ 28,906,206	\$ -	\$ 28,906,206
444,344	1,698,040	1,367,867	4,475,161	-	4,475,161
99	1,766	1,644	4,487	10,155	14,642
352,741	13,819	1,577	482,858	-	482,858
<u>3,501,956</u>	<u>3,888,381</u>	<u>10,352,365</u>	<u>33,868,712</u>	<u>10,155</u>	<u>33,878,867</u>
-	-	-	4,840,505	-	4,840,505
3,675,252	5,604,606	9,264,159	23,564,384	-	23,564,384
-	-	-	7,038,316	-	7,038,316
-	-	-	903,992	-	903,992
-	-	-	6,110,499	-	6,110,499
-	-	-	-	5,850	5,850
-	64,381	127,157	237,575	-	237,575
-	-	-	-	5,292,554	5,292,554
-	-	-	-	3,976,051	3,976,051
<u>3,675,252</u>	<u>5,668,987</u>	<u>9,391,316</u>	<u>42,695,271</u>	<u>9,274,455</u>	<u>51,969,726</u>
<u>(173,296)</u>	<u>(1,780,606)</u>	<u>961,049</u>	<u>(8,826,559)</u>	<u>(9,264,300)</u>	<u>(18,090,859)</u>
646,622	1,707,051	-	9,961,562	9,276,007	19,237,569
-	(690,085)	-	(954,856)	-	(954,856)
<u>646,622</u>	<u>1,016,966</u>	<u>-</u>	<u>9,006,706</u>	<u>9,276,007</u>	<u>18,282,713</u>
473,326	(763,640)	961,049	180,147	11,707	191,854
491,510	1,645,527	1,808,369	4,466,923	1,769,288	6,236,211
<u>\$ 964,836</u>	<u>\$ 881,887</u>	<u>\$ 2,769,418</u>	<u>\$ 4,647,070</u>	<u>\$ 1,780,995</u>	<u>\$ 6,428,065</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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real Estate Taxes	\$ 67,926,685	\$ 67,926,685	\$ 69,261,634	\$ 1,334,949
Hotel Tax	2,624,375	2,624,375	3,038,223	413,848
Federal, State and Municipal Grants	4,782,413	4,792,288	5,017,176	224,888
Charges for Services	13,693,742	11,000,822	11,274,858	274,036
Interest Income	25,010	25,010	97,238	72,228
Other Revenue	53,335	63,335	62,363	(972)
Total Revenues	89,105,560	86,432,515	88,751,492	2,318,977
EXPENDITURES				
Current:				
General Government				
Council and Elections	1,306,852	1,306,852	1,267,424	39,428
Controller	365,177	365,177	367,574	(2,397)
County Executive	221,908	221,908	217,211	4,697
Solicitor	141,604	141,604	140,426	1,178
Personnel	389,604	333,106	287,742	45,364
Finance	4,342,717	4,085,800	3,578,517	507,283
Operations	4,724,725	2,822,294	2,779,235	43,059
Other	5,577,497	5,189,227	5,511,982	(322,755)
Total General Government	17,070,084	14,465,968	14,150,111	315,857
Courts and Related Offices				
Courts	4,888,617	4,888,617	4,872,559	16,058
District Justices	2,609,683	2,609,683	2,589,191	20,492
Clerk of Records	2,407,619	2,407,619	2,314,398	93,221
Sheriff	3,088,281	3,088,281	3,044,857	43,424
District Attorney	2,759,554	2,759,070	2,718,760	40,310
Coroner	588,964	588,964	576,198	12,766
Public Defender	1,386,101	1,346,889	1,298,828	48,061
Total Courts and Related Offices	17,728,819	17,689,123	17,414,791	274,332
Corrections				
Adult Probation	4,801,850	4,833,828	4,751,284	82,544
Corrections	16,292,101	16,140,101	16,005,635	134,466
Juvenile Probation	3,267,218	3,275,858	3,157,496	118,362
Total Corrections	24,361,169	24,249,787	23,914,415	335,372
Community Services				
Veterans Affairs	233,769	233,769	231,865	1,904
Economic Development	154,300	154,300	143,800	10,500
Grants to Others	1,550,000	2,115,299	2,350,573	(235,274)
Total Community Services	1,938,069	2,503,368	2,726,238	(222,870)
Capital Outlay				
General Government	76,412	140,075	121,406	18,669
Courts	253,000	534,753	393,303	141,450
Corrections	146,160	117,971	113,688	4,283
Community Services	-	-	-	-
Total Capital Outlay	475,572	792,799	628,397	164,402
Debt Service				
Principal	-	-	-	-
Interest	388,125	388,125	310,354	77,771
Total Debt Service	388,125	388,125	310,354	77,771
Total Expenditures	61,961,838	60,089,170	59,144,306	944,864
Excess of Revenues Over (Under) Expenditures	27,143,722	26,343,345	29,607,186	3,263,841
Other Financing Sources (Uses)				
Transfers Out Component Units	(565,299)	-	-	-
Transfer In	1,022,198	1,022,198	372,771	(649,427)
Transfer Out	(25,191,495)	(25,875,628)	(23,650,805)	2,224,823
Total Other Financing sources (Uses)	(24,734,596)	(24,853,430)	(23,278,034)	1,575,396
Net Change in Fund Balance	2,409,126	1,489,915	6,329,152	4,839,237
Fund Balance, Beginning of Year	31,036,874	31,036,874	31,036,874	-
Fund Balance, End of Year	\$ 33,446,000	\$ 32,526,789	\$ 37,366,026	\$ 4,839,237

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 750,000	\$ 750,000	\$ 769,825	\$ 19,825
Interest Income	600	600	-	(600)
Total Revenues	750,600	750,600	769,825	19,225
EXPENDITURES				
Current:				
Public Works	870,600	970,600	903,992	66,608
Total Expenditures	870,600	970,600	903,992	66,608
Excess of Revenues Over (Under) Expenditures	(120,000)	(220,000)	(134,167)	85,833
Other Financing Sources (Uses)				
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(120,000)	(220,000)	(134,167)	85,833
Fund Balance, Beginning of Year	332,366	332,366	332,366	-
Fund Balance, End of Year	\$ 212,366	\$ 112,366	\$ 198,199	\$ 85,833

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 3,870,564	\$ 3,532,776	\$ 3,366,358	\$ (166,418)
Charges for Services	115,700	115,700	107,705	(7,995)
Interest Income	1,300	1,300	903	(397)
Total Revenues	3,987,564	3,649,776	3,474,966	(174,810)
EXPENDITURES				
Current:				
Courts and Related Offices	4,983,614	4,983,614	4,840,505	143,109
Total Expenditures	4,983,614	4,983,614	4,840,505	143,109
Excess of Revenues Over (Under) Expenditures	(996,050)	(1,333,838)	(1,365,539)	(31,701)
Other Financing Sources (Uses)				
Transfer In	1,276,693	1,614,481	1,611,800	(2,681)
Transfer Out	(280,643)	(280,643)	(264,771)	15,872
Total Other Financing Sources (Uses)	996,050	1,333,838	1,347,029	13,191
Net Change in Fund Balance	-	-	(18,510)	(18,510)
Fund Balance, Beginning of Year	21,737	21,737	21,737	-
Fund Balance, End of Year	<u>\$ 21,737</u>	<u>\$ 21,737</u>	<u>\$ 3,227</u>	<u>\$ (18,510)</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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 5,129,960	\$ 5,180,189	\$ 4,555,197	\$ (624,992)
Charges for Services	206,000	206,000	199,344	(6,656)
Interest Income	-	-	-	-
Total Revenues	<u>5,335,960</u>	<u>5,386,189</u>	<u>4,754,541</u>	<u>(631,648)</u>
EXPENDITURES				
Current:				
Community Services	5,613,318	5,655,547	5,020,367	635,180
Capital Outlay	4,507	12,507	16,039	(3,532)
Total Expenditures	<u>5,617,825</u>	<u>5,668,054</u>	<u>5,036,406</u>	<u>631,648</u>
Excess of Revenues Over (Under) Expenditures	(281,865)	(281,865)	(281,865)	-
Other Financing Sources (Uses)				
Transfer In	281,865	281,865	281,865	-
Total Other Financing sources (Uses)	<u>281,865</u>	<u>281,865</u>	<u>281,865</u>	<u>-</u>
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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 5,226,375	\$ 5,488,160	\$ 4,942,780	\$ (545,380)
Charges for Services	447,468	447,468	451,045	3,577
Interest	100	100	75	(25)
Other	20,000	51,200	49,508	(1,692)
Total Revenues	5,693,943	5,986,928	5,443,408	(543,520)
EXPENDITURES				
Current:				
Public Health	7,061,650	7,317,055	7,038,316	278,739
Capital Outlay	12,650	10,650	-	10,650
Total Expenditures	7,074,300	7,327,705	7,038,316	289,389
Excess of Revenues Over (Under) Expenditures	(1,380,357)	(1,340,777)	(1,594,908)	(254,131)
Other Financing Sources (Uses)				
Transfer In	1,294,431	1,254,851	1,267,018	12,167
Total Other Financing Sources (Uses)	1,294,431	1,254,851	1,267,018	12,167
Net Change in Fund Balance	(85,926)	(85,926)	(327,890)	(241,964)
Fund Balance, Beginning of Year	193,958	193,958	193,958	-
Fund Balance (Deficit), End of Year	\$ 108,032	\$ 108,032	\$ (133,932)	\$ (241,964)

COUNTY OF ERIE, PENNSYLVANIA

Library Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 1,440,561	\$ 1,440,561	\$ 1,411,241	\$ (29,320)
Charges for Services	230,875	233,445	206,816	(26,629)
Other	8,500	55,572	65,213	9,641
Total Revenues	<u>1,679,936</u>	<u>1,729,578</u>	<u>1,683,270</u>	<u>(46,308)</u>
EXPENDITURES				
Current:				
Library	5,961,627	6,375,731	6,110,499	265,232
Capital Outlay	26,000	29,998	29,998	-
Total Expenditures	<u>5,987,627</u>	<u>6,405,729</u>	<u>6,140,497</u>	<u>265,232</u>
Excess of Revenues Over (Under) Expenditures	(4,307,691)	(4,676,151)	(4,457,227)	218,924
Other Financing Sources (Uses) Transfer In	4,257,691	4,612,206	4,447,206	(165,000)
Total Other Financing Sources (Uses)	<u>4,257,691</u>	<u>4,612,206</u>	<u>4,447,206</u>	<u>(165,000)</u>
Net Change in Fund Balance	(50,000)	(63,945)	(10,021)	53,924
Fund Balance (Deficit), Beginning of Year	<u>(26,544)</u>	<u>(26,544)</u>	<u>(26,544)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u><u>\$ (76,544)</u></u>	<u><u>\$ (90,489)</u></u>	<u><u>\$ (36,565)</u></u>	<u><u>\$ 53,924</u></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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 3,726,828	\$ 4,674,828	\$ 2,704,772	\$ (1,970,056)
Charges for Services	366,658	366,658	444,344	77,686
Interest	20,000	20,000	99	(19,901)
Other	208,905	208,905	352,741	143,836
Total Revenues	4,322,391	5,270,391	3,501,956	(1,768,435)
EXPENDITURES				
Current:				
Community Services	4,818,626	5,806,626	3,675,252	2,131,374
Total Expenditures	4,818,626	5,806,626	3,675,252	2,131,374
Excess of Revenues Over (Under) Expenditures	(496,235)	(536,235)	(173,296)	362,939
Other Financing Sources (Uses)				
Transfer In	496,235	536,235	646,622	110,387
Total Other Financing sources (Uses)	496,235	536,235	646,622	110,387
Net Change in Fund Balance	-	-	473,326	473,326
Fund Balance, Beginning of Year	491,510	491,510	491,510	-
Fund Balance, End of Year	\$ 491,510	\$ 491,510	\$ 964,836	\$ 473,326

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$2,829,176	\$3,507,569	\$2,174,756	\$ (1,332,813)
Charges for Services	1,654,293	1,692,594	1,698,040	5,446
Interest	2,840	1,840	1,766	(74)
Other	5,100	18,844	13,819	(5,025)
Total Revenues	4,491,409	5,220,847	3,888,381	(1,332,466)
EXPENDITURES				
Current:				
Community Services	5,557,067	6,020,061	5,604,606	415,455
Capital Outlay	1,462,945	1,729,651	64,381	1,665,270
Total Expenditures	7,020,012	7,749,712	5,668,987	2,080,725
Excess of Revenues Over (Under) Expenditures	(2,528,603)	(2,528,865)	(1,780,606)	748,259
Other Financing Sources (Uses)				
Transfer In	1,692,206	1,692,233	1,707,051	14,818
Transfer Out	(690,085)	(690,085)	(690,085)	-
Total Other Financing Sources (Uses)	1,002,121	1,002,148	1,016,966	14,818
Net Change in Fund Balance	(1,526,482)	(1,526,717)	(763,640)	763,077
Fund Balance, Beginning of Year	1,645,527	1,645,527	1,645,527	-
Fund Balance, End of Year	\$ 119,045	\$ 118,810	\$ 881,887	\$ 763,077

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ 8,611,906	\$ 8,611,906	\$8,981,277	\$ 369,371
Charges for Services	1,293,919	1,293,919	1,367,867	73,948
Interest	-	-	1,644	1,644
Other	-	-	1,577	1,577
Total Revenues	9,905,825	9,905,825	10,352,365	446,540
EXPENDITURES				
Current:				
Community Services	9,667,015	9,667,015	9,264,159	402,856
Capital Outlay	238,810	238,810	127,157	111,653
Total Expenditures	9,905,825	9,905,825	9,391,316	514,509
Excess of Revenues Over Expenditures	-	-	961,049	961,049
Other Financing Sources (Uses)				
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	961,049	961,049
Fund Balance, Beginning of Year	1,808,369	1,808,369	1,808,369	-
Fund Balance, End of Year	\$ 1,808,369	\$ 1,808,369	\$2,769,418	\$ 961,049

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest	\$ 10,010	\$ 10,010	\$ 10,155	\$ 145
Total Revenues	10,010	10,010	10,155	145
EXPENDITURES				
Current:				
Other	7,700	7,700	5,850	1,850
Debt Service				
Principal	5,292,955	5,292,955	5,292,554	401
Interest	3,975,652	3,975,652	3,976,051	(399)
Total Expenditures	9,276,307	9,276,307	9,274,455	1,852
Excess of Revenues Over (Under) Expenditures	(9,266,297)	(9,266,297)	(9,264,300)	1,997
Other Financing Sources (Uses)				
Transfer In	9,276,307	9,276,307	9,276,007	(300)
Transfer Out	-	-	-	-
Total Other Financing Sources (Uses)	9,276,307	9,276,307	9,276,007	(300)
Net Change in Fund Balance	10,010	10,010	11,707	1,697
Fund Balance, Beginning of Year	1,769,288	1,769,288	1,769,288	-
Fund Balance, End of Year	<u>\$ 1,779,298</u>	<u>\$ 1,779,298</u>	<u>\$ 1,780,995</u>	<u>\$ 1,697</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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal, State and Municipal Grants	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	24,875	32,500	7,625
Interest Income	-	-	29,858	29,858
Total Revenues	-	24,875	62,358	37,483
EXPENDITURES				
Current:				
Community Services	-	-	3,296,624	(3,296,624)
Capital Outlay	-	261,883	602,698	(340,815)
Total Expenditures	-	261,883	3,899,322	(3,637,439)
Excess of Revenues Over (Under) Expenditures	-	(237,008)	(3,836,964)	(3,599,956)
Other Financing Sources (Uses)				
Transfer In	-	-	341,953	341,953
Transfer Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	341,953	341,953
Net Change in Fund Balance	-	(237,008)	(3,495,011)	(3,258,003)
Fund Balance, Beginning of Year	25,901,084	25,901,084	25,901,084	-
Fund Balance, End of Year	<u>\$ 25,901,084</u>	<u>\$ 25,664,076</u>	<u>\$ 22,406,073</u>	<u>\$ (3,258,003)</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, 2011

	ASSETS					
	Cash and Cash Equivalents	Investments	Property Taxes Receivable	Interest and Other Receivable	Other Assets	Total Assets
Tax Claim	\$ 953,485	\$ -	\$ 9,524,062	\$ 10,167	\$ -	\$ 10,487,714
Revenue Licenses	4,345	-	-	-	-	4,345
Recorder of Deeds	1,002,169	-	-	-	-	1,002,169
Clerk of Courts	888,271	-	-	-	-	888,271
Regiser of Wills	36,972	-	-	-	-	36,972
Prothonotary	684,022	-	-	-	713,496	1,397,518
Sheriff	602,881	-	-	1,569	-	604,450
Prison	179,934	-	-	16,212	-	196,146
Magisterial District Judges	377,300	-	-	-	-	377,300
Children and Youth Trust	3,842	-	-	-	-	3,842
Domestic Relations	64,625	-	-	-	-	64,625
Act 101 Site Specific Post Closure	77,157	2,198,806	-	-	-	2,275,963
Total Assets	\$ 4,875,003	\$2,198,806	\$ 9,524,062	\$ 27,948	\$ 713,496	\$ 17,339,315

COUNTY OF ERIE, PENNSYLVANIA
Combining Statement of Fiduciary Net Assets
Agency Funds
December 31, 2011

	LIABILITIES		
	Accounts Payable	Due to Other Governmental Units	Total Liabilities
Tax Claim	\$ 963,652	\$ 9,524,062	\$ 10,487,714
Revenue Licenses	4,345	-	4,345
Recorder of Deeds	1,002,169	-	1,002,169
Clerk of Courts	888,271	-	888,271
Regiser of Wills	36,972	-	36,972
Prothonotary	1,397,518	-	1,397,518
Sheriff	604,450	-	604,450
Prison	196,146	-	196,146
Magisterial District Judges	377,300	-	377,300
Children and Youth Trust	3,842	-	3,842
Domestic Relations	64,625	-	64,625
Act 101 Site Specific Post	2,275,963	-	2,275,963
Total Assets	\$ 7,815,253	\$ 9,524,062	\$ 17,339,315

COUNTY OF ERIE, PENNSYLVANIA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2011

	Balance December 31, 2010	Additions	Deductions	Balance December 31, 2011
<u>Funds:</u>				
<u>Tax Claim</u>				
ASSETS				
Cash	\$ 1,022,644	\$ 37,692,950	\$ 37,762,109	\$ 953,485
Credit Card Receivable	13,711	818,264	821,808	10,167
Property Taxes Receivable	13,561,175	11,209,838	15,246,951	9,524,062
	<u>\$ 14,597,530</u>	<u>\$ 49,721,052</u>	<u>\$ 53,830,868</u>	<u>\$ 10,487,714</u>
LIABILITIES				
Accounts Payable	\$ 1,036,355	\$ 38,511,214	\$ 38,583,917	\$ 963,652
Due to Other Governmental Units	13,561,175	11,209,838	15,246,951	9,524,062
	<u>\$ 14,597,530</u>	<u>\$ 49,721,052</u>	<u>\$ 53,830,868</u>	<u>\$ 10,487,714</u>
<u>Revenue Licenses</u>				
ASSETS				
Cash	\$ 5,492	\$ 238,673	\$ 239,820	\$ 4,345
LIABILITIES				
Accounts Payable	\$ 5,492	\$ 238,673	\$ 239,820	\$ 4,345
<u>Recorder of Deeds</u>				
ASSETS				
Cash	\$ 619,226	\$ 17,674,207	\$ 17,291,264	\$ 1,002,169
LIABILITIES				
Accounts Payable	\$ 619,226	\$ 17,674,207	\$ 17,291,264	\$ 1,002,169
<u>Clerk of Courts</u>				
ASSETS				
Cash	\$ 716,613	\$ 4,969,769	\$ 4,798,111	\$ 888,271
LIABILITIES				
Accounts Payable	\$ 716,613	\$ 4,969,769	\$ 4,798,111	\$ 888,271
<u>Register of Wills</u>				
ASSETS				
Cash	\$ 29,365	\$ 20,640,133	\$ 20,632,526	\$ 36,972
LIABILITIES				
Accounts Payable	\$ 29,365	\$ 20,640,133	\$ 20,632,526	\$ 36,972

COUNTY OF ERIE, PENNSYLVANIA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2011
(Continued)

	Balance December 31, 2010	Additions	Deductions	Balance December 31, 2011
<u>Prothonotary</u>				
ASSETS				
Cash	\$ 512,522	\$ 1,096,636	\$ 925,136	\$ 684,022
Other Assets	658,046	55,450	-	713,496
	<u>1,170,568</u>	<u>1,152,086</u>	<u>925,136</u>	<u>1,397,518</u>
LIABILITIES				
Accounts Payable	<u>\$ 1,170,568</u>	<u>\$ 1,152,086</u>	<u>\$ 925,136</u>	<u>\$ 1,397,518</u>
<u>Sheriff</u>				
ASSETS				
Cash	\$ 489,539	\$ 4,094,225	\$ 3,980,883	\$ 602,881
Accounts Receivable	1,939	-	370	1,569
	<u>491,478</u>	<u>4,094,225</u>	<u>3,981,253</u>	<u>604,450</u>
LIABILITIES				
Accounts Payable	<u>\$ 491,478</u>	<u>\$ 4,094,225</u>	<u>\$ 3,981,253</u>	<u>\$ 604,450</u>
<u>Prison</u>				
ASSETS				
Cash	\$ 229,261	\$ 673,034	\$ 722,361	\$ 179,934
Accounts Receivable	14,459	1,364,540	1,362,787	16,212
	<u>243,720</u>	<u>2,037,574</u>	<u>2,085,148</u>	<u>196,146</u>
LIABILITIES				
Accounts Payable	<u>\$ 243,720</u>	<u>\$ 2,037,574</u>	<u>\$ 2,085,148</u>	<u>\$ 196,146</u>
<u>Magisterial District Judges</u>				
ASSETS				
Cash	\$ 253,867	\$ 6,678,746	\$ 6,555,313	\$ 377,300
LIABILITIES				
Accounts Payable	<u>\$ 253,867</u>	<u>\$ 6,678,746</u>	<u>\$ 6,555,313</u>	<u>\$ 377,300</u>
<u>Children & Youth Trust</u>				
ASSETS				
Cash	\$ 6,983	\$ 3,843	\$ 6,984	\$ 3,842
LIABILITIES				
Accounts Payable	<u>\$ 6,983</u>	<u>\$ 3,843</u>	<u>\$ 6,984</u>	<u>\$ 3,842</u>

COUNTY OF ERIE, PENNSYLVANIA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2011
(Continued)

	Balance December 31, 2010	Additions	Deductions	Balance December 31, 2011
<u>Domestic Relations</u>				
ASSETS				
Cash	\$ 48,920	\$ 3,097,768	\$ 3,082,063	\$ 64,625
LIABILITIES				
Accounts Payable	\$ 48,920	\$ 3,097,768	\$ 3,082,063	\$ 64,625
<u>Act 101 Site Specific Post Closure</u>				
ASSETS				
Cash	\$ 8,637	\$ 10,198	\$ (58,322)	\$ 77,157
Investments	2,241,853	-	43,047	2,198,806
	<u>2,250,490</u>	<u>10,198</u>	<u>(15,275)</u>	<u>2,275,963</u>
LIABILITIES				
Accounts Payable	\$ 2,250,490	\$ 10,198	\$ (15,275)	\$ 2,275,963
TOTAL ASSETS				
Cash	\$ 3,943,069	\$ 96,870,182	\$ 95,938,248	\$ 4,875,003
Investments	2,241,853	-	43,047	2,198,806
Accounts Receivable	30,109	2,182,804	2,184,965	27,948
Property Taxes Receivable	13,561,175	11,209,838	15,246,951	9,524,062
Other Assets	658,046	55,450	-	713,496
Total Assets	<u>\$ 20,434,252</u>	<u>\$ 110,318,274</u>	<u>\$ 113,413,211</u>	<u>\$ 17,339,315</u>
TOTAL LIABILITIES				
Accounts Payable	\$ 6,873,077	\$ 99,108,436	\$ 98,166,260	\$ 7,815,253
Due to Other Governmental Units	13,561,175	11,209,838	15,246,951	9,524,062
Total Liabilities	<u>\$ 20,434,252</u>	<u>\$ 110,318,274</u>	<u>\$ 113,413,211</u>	<u>\$ 17,339,315</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, 2011

	Pleasant Ridge Manor (1)	Erie County Gaming Authority (2)	Total
ASSETS			
Current assets:			
Cash and Investments	\$ 92,999	\$ 15,599,103	\$ 15,692,102
Investments	494,993	-	494,993
Receivables, net	5,502,923	224,695	5,727,618
Inventory	302,809	-	302,809
Prepaid Items	63,993	7,366	71,359
Other	10,370	-	10,370
Total current assets	6,468,087	15,831,164	22,299,251
Noncurrent assets:			
Restricted Cash	374,826	-	374,826
Restricted Investment	894,000	-	894,000
Net pension asset	19,972	-	19,972
Land and other non-depreciable assets	225,327	-	225,327
Capital assets, net	4,544,525	-	4,544,525
Total noncurrent assets	6,058,650	-	6,058,650
Total assets	\$ 12,526,737	\$ 15,831,164	\$ 28,357,901
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 2,637,945	-	\$ 2,637,945
Workers compensation payable	416,798	-	416,798
Self insurance payable	203,803	-	203,803
Accrued liabilities	273,355	-	273,355
Compensated absences	400,107	-	400,107
Note payable	650,000	-	650,000
Other liabilities	10,370	-	10,370
Total current liabilities	4,592,378	-	4,592,378
Noncurrent Liabilities			
Restricted Funds	548,862	-	548,862
Total noncurrent liabilities	548,862	-	548,862
Total Liabilities	5,141,240	-	5,141,240
NET ASSETS			
Invested in capital assets, net of related debt	4,769,853	-	4,769,853
Restricted for:			
Other Purpose	-	1,541,538	1,541,538
Unrestricted	2,615,644	14,289,626	16,905,270
Total Net Assets	\$ 7,385,497	\$ 15,831,164	\$ 23,216,661

(1) December 31, 2011 Fiscal Year End
(2) March 31, 2011 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, 2011

	Pleasant Ridge Manor (1)	Erie County Gaming Revenue Authority (2)	Total
Operating Revenues			
Charges for services	\$ 32,527,137	\$ 6,166,151	\$ 38,693,288
Other revenue	246,723	-	246,723
Total operating revenue	<u>32,773,860</u>	<u>6,166,151</u>	<u>38,940,011</u>
Operating Expenses			
Operating expenses	33,550,490	3,753,619	37,304,109
Depreciation expense	848,768	-	848,768
Total operating expenses	<u>34,399,258</u>	<u>3,753,619</u>	<u>38,152,877</u>
Excess of Revenues Over (Under) Expenditures	(1,625,398)	2,412,532	787,134
Non-operating revenues (expenses)			
County contribution	565,299	-	565,299
Interest income	5,149	115,440	120,589
Donated funds	7,000	-	7,000
Grants	182,507	-	182,507
Other Income	362,648	-	362,648
Interest expense	(51,722)	-	(51,722)
Other expenditures	(27,425)	-	(27,425)
Total non-operating (expenses)	<u>1,043,456</u>	<u>115,440</u>	<u>1,158,896</u>
Change in net assets	(581,942)	2,527,972	1,946,030
Net assets, beginning of year	7,967,439	13,303,192	21,270,631
Net assets, end of year	<u>\$ 7,385,497</u>	<u>\$ 15,831,164</u>	<u>\$ 23,216,661</u>

(1) December 31, 2011 Fiscal Year End

(2) March 31, 2011 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, 2011

<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	\$ -	\$ 62,795	\$ 27,484,563	\$ 3,965,880	\$ 31,513,238
Courts and related offices	70,960	-	3,036,333	2,899,605	6,006,898
Corrections	276,946	-	31,260,344	1,150,130	32,687,420
Community services	301,797	-	16,547,744	12,155,561	29,005,102
Public health	-	-	787,331	678,238	1,465,569
Library	528,112	-	15,819,407	2,244,959	18,592,478
 Total governmental funds capital assets	 <u>\$1,177,815</u>	 <u>\$ 62,795</u>	 <u>\$ 94,935,722</u>	 <u>\$ 23,094,373</u>	 <u>\$119,270,705</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, 2011

<u>Function and Activity</u>	Governmental Funds Capital Assets January 1, 2011	Additions	Deductions/ Transfer	Governmental Funds Capital Assets December 31, 2011
General government	\$ 31,078,155	\$ 357,711	\$ 77,372	\$ 31,513,238
Courts and related offices	5,816,454	283,404	(92,960)	6,006,898
Corrections	32,297,283	576,993	(186,856)	32,687,420
Community services	28,799,658	795,713	(590,269)	29,005,102
Public health	1,424,771	78,130	(37,332)	1,465,569
Library	18,934,802	19,396	(361,720)	18,592,478
 Total governmental funds capital assets	 <u>\$ 118,351,123</u>	 <u>\$ 2,111,347</u>	 <u>\$ (1,191,765)</u>	 <u>\$ 119,270,705</u>

COUNTY OF ERIE, PENNSYLVANIA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Assets by Source
December 31, 2011

Governmental funds capital assets:

Land	\$ 1,177,815
Construction in progress	62,795
Buildings and improvements	94,935,722
Vehicles	2,271,815
Furniture and equipment	<u>20,822,558</u>
Total governmental funds capital assets	<u><u>\$ 119,270,705</u></u>

Investments in governmental funds capital assets by source:

General fund	\$ 67,318,599
Special revenue funds	<u>51,952,106</u>
Total governmental funds capital assets	<u><u>\$ 119,270,705</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>	145
Revenue Capacity	
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	158
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>	166
Demographic and Economic Information	
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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>	177

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FINANCIAL TRENDS

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

	<i>Year</i>			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental Activities				
Invested in capital assets, net of related debt	\$ (9,216,616)	\$ (7,891,335)	\$ (4,386,397)	\$ (3,145,289)
Restricted	36,373,973	23,788,624	30,370,707	28,983,109
Unrestricted	15,155,043	24,512,760	16,200,016	20,233,464
Total governmental activities net assets	<u>42,312,400</u>	<u>40,410,049</u>	<u>42,184,326</u>	<u>46,071,284</u>
Primary Government				
Invested in capital assets, net of related debt	(9,216,616)	(7,891,335)	(4,386,397)	(3,145,289)
Restricted	36,373,973	23,788,624	30,370,707	28,983,109
Unrestricted	15,155,043	24,512,760	16,200,016	20,233,464
Total primary government net assets	<u>\$ 42,312,400</u>	<u>\$ 40,410,049</u>	<u>\$ 42,184,326</u>	<u>\$ 46,071,284</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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ (2,597,220)	\$ (1,467,584)	\$ 2,551,924	\$ 1,359,876	\$ 9,369,907	\$ 9,443,774
23,766,250	19,313,534	19,579,999	15,932,807	8,860,997	10,362,235
20,414,397	17,307,552	13,643,863	14,410,487	10,609,375	8,444,836
<u>41,583,427</u>	<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>
(2,597,220)	(1,467,584)	2,551,924	1,359,876	9,369,907	9,443,774
23,766,250	19,313,534	19,579,999	15,932,807	8,860,997	10,362,235
20,414,397	17,307,552	13,643,863	14,410,487	10,609,375	8,444,836
<u>\$ 41,583,427</u>	<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>

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

	Year			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses				
Governmental Activities				
General government	\$ 14,546,971	\$ 15,852,380	\$ 12,781,659	\$ 13,302,695
Courts and related offices	23,659,667	23,301,291	23,815,737	22,452,595
Corrections	39,590,993	39,786,125	40,629,325	39,240,696
Community services	201,825,181	206,797,399	214,680,441	231,296,513
Public health	7,257,014	7,441,621	7,605,284	7,465,662
Public works	903,992	683,726	893,667	712,490
Library	7,267,748	7,306,003	4,715,044	7,187,576
Other	-	-	-	-
Interest on long term debt	4,011,619	4,179,570	4,337,847	3,775,372
Loss on guaranteed debt	-	-	-	-
Total primary government expenses	<u>\$ 299,063,185</u>	<u>\$ 305,348,115</u>	<u>\$ 309,459,004</u>	<u>\$ 325,433,599</u>
Program Revenue				
Charges for services				
General Government	\$ 3,727,630	\$ 3,208,938	\$ 3,055,882	\$ 2,728,069
Courts and Related Offices	5,232,092	5,475,588	5,410,242	5,683,424
Corrections	2,391,228	2,334,393	2,146,959	2,176,755
Community Services	16,629,378	18,652,095	16,897,959	17,684,293
Public Health	451,045	450,712	376,605	536,541
Library	206,816	220,462	229,371	225,511
Operating grants and contributions	198,657,284	200,659,383	214,031,194	237,713,702
Capital grants and contributions	-	-	-	-
Total primary government program revenues	<u>\$ 227,295,473</u>	<u>\$ 231,001,571</u>	<u>\$ 242,148,212</u>	<u>\$ 266,748,295</u>
Net (Expense)/Revenue				
Governmental activities	<u>\$ (71,767,712)</u>	<u>\$ (74,346,544)</u>	<u>\$ (67,310,792)</u>	<u>\$ (58,685,304)</u>
Total primary government net expense	<u>\$ (71,767,712)</u>	<u>\$ (74,346,544)</u>	<u>\$ (67,310,792)</u>	<u>\$ (58,685,304)</u>
General Revenue and Other Changes in Net Assets				
Governmental activities				
Property Taxes	\$ 69,212,937	\$ 68,566,314	\$ 59,793,818	\$ 58,262,891
Hotel Room Rental Tax	3,038,223	2,948,646	2,724,570	2,663,840
Interest Income	233,771	320,697	384,012	1,925,813
Other Income	1,185,132	736,610	327,241	517,810
Total primary government	73,670,063	72,572,267	63,229,641	63,370,354
Change in Net Assets				
Governmental activities	<u>1,902,351</u>	<u>(1,774,277)</u>	<u>(4,081,151)</u>	<u>4,685,050</u>
Total primary government change in net assets	<u>\$ 1,902,351</u>	<u>\$ (1,774,277)</u>	<u>\$ (4,081,151)</u>	<u>\$ 4,685,050</u>

Year

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$	11,583,536	\$ 11,585,003	\$ 10,390,858	\$ 10,039,805	\$ 10,666,773	\$ 10,117,195
	20,642,833	18,838,105	17,943,991	17,999,479	18,806,005	16,739,962
	36,507,826	33,101,250	32,184,358	32,237,675	31,893,786	27,715,824
	186,143,770	149,202,374	140,836,601	137,581,587	128,584,310	127,877,002
	7,016,892	6,273,932	6,408,229	6,216,188	6,878,507	5,988,562
	774,009	793,093	741,599	832,551	813,291	705,264
	6,808,991	5,996,459	5,771,219	5,745,480	5,837,748	5,995,852
	-	3,400	2,340	2,340	4,367	4,636
	3,811,952	3,790,500	2,609,791	2,497,107	2,194,103	1,973,407
	-	-	-	129,708	716,311	-
\$	<u>273,289,809</u>	<u>\$ 229,584,116</u>	<u>\$ 216,888,986</u>	<u>\$ 213,281,920</u>	<u>\$ 206,395,201</u>	<u>\$ 197,117,704</u>

\$	2,735,511	\$ 2,673,137	\$ 2,840,562	\$ 2,324,821	\$ 2,087,284	\$ 2,214,223
	5,640,432	5,587,398	5,432,622	5,712,291	5,814,165	5,314,406
	2,327,150	2,471,956	2,469,683	2,791,817	2,462,745	2,329,763
	14,134,434	2,893,051	2,968,632	3,201,222	2,582,197	2,474,225
	421,619	557,573	656,742	626,715	459,251	477,073
	225,396	229,924	368,300	472,063	370,940	344,430
	192,087,930	153,246,168	151,651,752	148,875,982	142,671,678	138,115,969
	54,791	1,711,127	1,235,685	100,000	15,000	32,500
\$	<u>217,627,263</u>	<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>

\$ (55,662,546) \$ (60,213,782) \$ (49,265,008) \$ (49,177,009) \$ (49,931,941) \$ (45,815,115)

\$ (55,662,546) \$ (60,213,782) \$ (49,265,008) \$ (49,177,009) \$ (49,931,941) \$ (45,815,115)

\$	55,664,202	\$ 53,599,290	\$ 49,298,573	\$ 49,055,086	\$ 47,642,708	\$ 44,583,176
	2,432,204	2,133,095	2,046,370	1,969,962	1,755,905	1,791,460
	3,554,926	3,554,357	1,633,072	620,200	536,125	750,773
	438,139	304,756	359,609	394,652	586,637	343,477

62,089,471 59,591,498 53,337,624 52,039,900 50,521,375 47,468,886

6,426,925 (622,284) 4,072,616 2,862,891 589,434 1,653,771

\$ 6,426,925 \$ (622,284) \$ 4,072,616 \$ 2,862,891 \$ 589,434 \$ 1,653,771

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

	2011
General Fund	
Nonspendable Funds	
Prepaid Expenses	\$140,514
Restricted Funds	
Community Services	289,168
Courts and Related Offices	1,023,393
Economic Development	11,000,000
Assigned	
Children & Youth	1,700,000
Pleasant Ridge Manor	1,000,000
Unassigned	22,212,951
Total General Fund	\$37,366,026
All Other Governmental Funds	
Nonspendable Funds	
Prepaid Expenses	\$77,896
Restricted Funds	
Public Works	198,199
Community Services	22,078,991
Courts and Related Offices	3,227
Capital Projects	22,406,073
Debt Service	1,780,995
Unassigned	(172,293)
Total all other governmental funds	46,373,088
Total governmental funds	\$83,739,114

* Implementation of GASB 54 in 2011

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>
\$ 12,603,113	\$ 2,307,194	\$ 2,426,090	\$ 2,690,539	\$ 1,922,348
<u>13,553,863</u>	788,093 <u>11,429,720</u>	<u>9,258,866</u>	<u>6,003,453</u>	<u>4,672,590</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>
\$ 5,068,746	\$ 16,041,583	\$11,867,878	\$11,919,372	\$ 4,089,934
2,043,020	2,480,451	2,938,863	3,532,253	3,941,683
26,568,335	35,632,760	11,428,499	12,041,091	1,423,389
<u>735,013</u>	<u>964,043</u>	<u>1,342,755</u>	<u>1,013,732</u>	<u>806,744</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>\$ 60,572,090</u>	<u>\$ 69,643,844</u>	<u>\$39,262,951</u>	<u>\$37,200,440</u>	<u>\$ 16,856,688</u>

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

	Year				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
REVENUES					
Real Estate Taxes	\$ 69,261,634	\$ 68,340,246	\$ 60,849,338	\$ 57,445,745	\$ 54,402,710
Hotel Room Rental Tax*	3,038,223	2,948,646	2,724,570	2,663,840	2,432,204
Federal, State and Municipal Grants	198,657,284	200,659,383	214,595,706	237,713,702	192,142,721
Charges for Services	28,638,189	30,342,188	27,552,506	29,034,593	25,484,542
Interest Income	233,771	320,697	384,012	1,925,813	3,554,926
Other income	1,185,132	736,610	327,241	517,810	438,139
Total Revenues	<u>301,014,233</u>	<u>303,347,770</u>	<u>306,433,373</u>	<u>329,301,503</u>	<u>278,455,242</u>
EXPENDITURES					
Current:					
General government	14,150,111	14,243,236	11,950,034	11,666,961	11,198,109
Courts and related offices	22,255,296	21,505,399	21,613,050	20,721,787	19,220,859
Corrections	37,587,742	37,556,013	38,202,945	37,068,124	34,450,070
Community Services	200,318,908	204,544,101	211,882,072	226,782,535	181,733,355
Public health	7,038,316	7,002,502	8,147,557	7,756,801	6,475,515
Public Works	903,992	683,726	893,667	712,490	774,009
Library	6,110,499	6,132,786	5,936,489	6,023,041	5,717,622
Other	5,850	5,889	4,258	5,545	90,432
Capital Outlay	1,543,953	1,903,658	5,482,738	9,565,410	18,953,351
Debt Service					
Principal	5,292,554	5,104,246	4,959,385	2,664,140	2,700,625
Interest	4,286,405	4,451,584	4,521,391	3,769,341	3,790,627
Bond Issuance Costs	-	-	79,485	130,733	-
Total Expenditures	<u>299,493,626</u>	<u>303,133,140</u>	<u>313,673,071</u>	<u>326,866,908</u>	<u>285,104,574</u>
Excess of Revenues Over (Under) Expenditures	<u>1,520,607</u>	<u>214,630</u>	<u>(7,239,698)</u>	<u>2,434,595</u>	<u>(6,649,332)</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	29,082,824	24,870,257	34,153,264	45,592,465	22,099,147
Transfers out	(29,082,824)	(24,870,257)	(34,153,264)	(45,592,465)	(22,099,147)
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>-</u>	<u>10,083,294</u>	<u>22,651,855</u>	<u>151,073</u>
Net Change in Fund Balances	<u>\$ 1,520,607</u>	<u>\$ 214,630</u>	<u>\$ 2,843,596</u>	<u>\$ 25,086,450</u>	<u>\$ (6,498,259)</u>
Debt Service as a percentage of noncapital expenditures	3.21%	3.17%	3.10%	2.07%	2.44%

Year				
<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 53,617,475	\$ 49,639,081	\$48,892,248	\$ 47,071,141	\$ 44,226,824
2,133,095	2,046,370	1,969,962	1,755,905	1,791,460
154,957,295	152,887,437	148,975,982	142,684,269	138,148,469
14,413,039	14,736,541	15,128,929	13,776,582	13,154,120
3,554,357	1,633,072	620,200	538,534	750,773
304,756	359,609	394,652	586,637	343,477
<u>228,980,017</u>	<u>221,302,110</u>	<u>215,981,973</u>	<u>206,413,068</u>	<u>198,415,123</u>
9,937,961	9,342,971	9,104,141	9,623,077	8,076,003
18,415,816	17,625,158	17,633,056	17,880,233	16,514,108
32,129,664	31,332,808	31,087,719	30,925,184	26,804,420
147,688,541	140,339,216	136,723,950	128,048,033	127,388,035
6,217,156	6,334,742	6,175,897	6,662,758	5,854,127
793,093	741,599	832,551	813,291	705,264
5,442,185	5,137,520	5,081,221	5,296,210	5,406,807
3,400	459,234	2,340	310,225	66,589
10,999,023	4,903,592	2,628,667	4,010,995	3,274,740
2,826,320	2,038,934	1,919,181	1,530,000	1,530,000
3,598,612	2,622,337	2,727,152	1,272,547	1,884,125
-	-	-	-	-
<u>238,051,771</u>	<u>220,878,111</u>	<u>213,915,875</u>	<u>206,372,553</u>	<u>197,504,218</u>
(9,071,754)	423,999	2,066,098	40,515	910,905
-	43,067,351	-	42,568,487	10,336,809
-	-	1,502,613	-	-
-	-	-	-	-
32,109,191	47,237,620	17,883,637	15,008,622	15,282,121
(32,109,191)	(47,237,620)	(17,883,637)	(15,008,622)	(15,282,121)
-	-	(3,587)	(89,819)	-
-	(13,110,457)	-	(22,175,431)	(9,891,888)
-	-	(1,502,613)	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>29,956,894</u>	<u>(3,587)</u>	<u>20,303,237</u>	<u>444,921</u>
<u>\$ (9,071,754)</u>	<u>\$ 30,380,893</u>	<u>\$ 2,062,511</u>	<u>\$ 20,343,752</u>	<u>\$ 1,355,826</u>
2.83%	2.16%	2.20%	1.38%	1.76%

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

Function/Program	Year			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental Activities				
General Government	\$ 3,759,741	\$ 3,298,059	\$ 3,690,832	\$ 2,830,635
Courts and Related Offices	9,366,383	9,791,846	9,842,791	9,521,863
Corrections	13,534,120	14,671,198	14,706,913	14,402,695
Community Services	192,853,522	194,807,691	204,862,386	230,283,490
Public Health	5,393,825	5,858,695	6,179,541	6,684,597
Public Works	769,825	768,514	717,937	757,336
Library	1,618,057	1,805,568	2,147,812	2,267,679
<i>Total Primary Government</i>	<u>\$ 227,295,473</u>	<u>\$ 231,001,571</u>	<u>\$ 242,148,212</u>	<u>\$ 266,748,295</u>

Year					
<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 2,790,302	\$ 4,093,473	\$ 2,915,562	\$ 2,434,591	\$ 2,320,238	\$ 2,218,223
9,371,053	9,361,704	9,212,200	9,903,038	10,586,656	9,055,547
14,368,315	13,599,958	15,175,231	15,823,814	14,961,499	14,575,680
182,770,989	134,319,792	131,719,161	127,943,696	120,042,324	117,470,241
5,238,959	5,219,096	5,262,967	5,388,951	5,421,439	4,641,591
838,851	710,444	784,146	770,019	766,390	779,986
2,248,794	2,065,867	2,554,711	1,840,802	2,364,714	2,561,321
<u>\$ 217,627,263</u>	<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>

REVENUE CAPACITY

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
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
2011	7,692,021,537	2,461,513,447	317,586,945	905,137,299	-	11,376,259,228	13,478,980,128	84.40%	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: 2002-2011 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>				
	2011	2010	2009	2008	2007
<hr/>					
Erie County					
Operating Millage	0.0060500	0.0060500	0.0054500	0.0052000	0.0049500
<hr/>					
Township or Boro					
<hr/>					
Albion Boro	0.0020600	0.0020600	0.0020600	0.0020600	0.0020600
Amity Township	0.0014000	0.0014000	0.0014000	0.0014000	0.0014000
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	0.0086500	0.0075500	0.0075500	0.0072500	0.0072500
Cranesville Boro	0.0012700	0.0012700	0.0012700	0.0012700	0.0012700
Edinboro Boro	0.0053500	0.0053500	0.0053500	0.0053500	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	0.0114500
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	0.0028000
Girard Boro	0.0017800	0.0017800	0.0017800	0.0017800	0.0012800
Girard Township	0.0010370	0.0010370	0.0010370	0.0010370	0.0010370
Greene Township	0.0020000	0.0015900	0.0015900	0.0015900	0.0014500
Greenfield Township	0.0023000	0.0023000	0.0023000	0.0021000	0.0021000
Harborcreek Township	0.0011920	0.0011920	0.0011920	0.0011920	0.0011920
Lake City Boro	0.0028003	0.0028003	0.0028003	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	0.0013000	0.0009560
North East Boro - 1st Ward	0.0041100	0.0041100	0.0036200	0.0036200	0.0036200
North East Boro - 2nd Ward	0.0041100	0.0041100	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	0.0055000	0.0045000	0.0045000	0.0045000
Union City Boro - 2nd Ward	0.0055000	0.0055000	0.0045000	0.0045000	0.0045000
Union Township	0.0012000	0.0012000	0.0012000	0.0012000	0.0012000
Venango Township	0.0024000	0.0024000	0.0024000	0.0014000	0.0013000
Washington Township	0.0008100	0.0008100	0.0008100	0.0008100	0.0008100
Waterford Boro	0.0028500	0.0016000	0.0013500	0.0013500	0.0013500
Waterford Township	0.0022000	0.0022000	0.0020000	0.0018000	0.0014000
Wattsburg Boro	0.0030000	0.0050000	0.0050000	0.0050000	0.0050000
Wayne Township	0.0015000	0.0015000	0.0015000	0.0015000	0.0015000
Wesleyville Boro	0.0077730	0.0077730	0.0077730	0.0077730	0.0072730

Year Taxes are Payable

2006	2005	2004	2003	2002
0.0049500	0.0046800	0.0046800	0.0046000	0.0542500
0.0020600	0.0020600	0.0020600	0.0020000	0.0280000
0.0013000	0.0013000	0.0013000	0.0013000	0.0170000
0.0002300	0.0002300	0.0002300	0.0002300	0.0030000
0.0003350	0.0003350	0.0003350	0.0003350	0.0050000
0.0066000	0.0066000	0.0068500	0.0061900	0.0725000
0.0012700	0.0012700	0.0012700	0.0012700	0.0170000
0.0033500	0.0023000	0.0023000	0.0020500	0.0260000
0.0007500	0.0007500	0.0007500	0.0007500	0.0100000
0.0023500	0.0023500	0.0013500	0.0009924	0.0140000
0.0102100	0.0097100	0.0097100	0.0099100	0.1074500
0.0000000	0.0000000	0.0000000	0.0000000	0.0000000
0.0009500	0.0009500	0.0008500	0.0008500	0.0105000
0.0014000	0.0013000	0.0013000	0.0013000	0.0170000
0.0012800	0.0012800	0.0012800	0.0012800	0.0150000
0.0010370	0.0010370	0.0010370	0.0010370	0.0120000
0.0014500	0.0012900	0.0012900	0.0011880	0.0160000
0.0020000	0.0019000	0.0018400	0.0017700	0.0250000
0.0011920	0.0011920	0.0011920	0.0011920	0.0140000
0.0027003	0.0027003	0.0027003	0.0027003	0.0300000
0.0027500	0.0027500	0.0027500	0.0020000	0.0225000
0.0004200	0.0004200	0.0004200	0.0004200	0.0060000
0.0010000	0.0009000	0.0009000	0.0009000	0.0120000
0.0011000	0.0011000	0.0011000	0.0011000	0.0180000
0.0024594	0.0024594	0.0025498	0.0025498	0.0222500
0.0009560	0.0009560	0.0008690	0.0008690	0.0130000
0.0036200	0.0036200	0.0022200	0.0022200	0.0280000
0.0036200	0.0036200	0.0022200	0.0022200	0.0280000
0.0012640	0.0012640	0.0012640	0.0012640	0.0150000
0.0013000	0.0013000	0.0013000	0.0013000	0.0170000
0.0004360	0.0004360	0.0004360	0.0004360	0.0060000
0.0007000	0.0007000	0.0007300	0.0007300	0.0090000
0.0035000	0.0035000	0.0035000	0.0035000	0.0445000
0.0035000	0.0035000	0.0035000	0.0035000	0.0445000
0.0012000	0.0012000	0.0010000	0.0008500	0.0110000
0.0011000	0.0010000	0.0010000	0.0010000	0.0140000
0.0008100	0.0008100	0.0008100	0.0008100	0.0110000
0.0013500	0.0013500	0.0013500	0.0013500	0.0190000
0.0010000	0.0008000	0.0008000	0.0007000	0.0100000
0.0020000	0.0020000	0.0009000	0.0006000	0.0100000
0.0015000	0.0013800	0.0012500	0.0012500	0.0140000
0.0072730	0.0062730	0.0062730	0.0037730	0.0410000

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

School District	<u>Year Taxes are Payable</u>				
	2011	2010	2009	2008	2007
Corry Area	0.0180214	0.0179269	0.0177660	0.0184506	0.0184506
Erie City	0.0178026	0.0170687	0.0170687	0.0170687	0.0170687
Fairview	0.0185200	0.0185200	0.0180000	0.0176800	0.0172400
Fort LeBoeuf	0.0135600	0.0135600	0.0135600	0.0135600	0.0135600
General McLane	0.0137600	0.0135100	0.0132600	0.0132600	0.0132600
Girard	0.0174300	0.0167400	0.0160500	0.0160500	0.0160500
Harborcreek Township	0.0169100	0.0163900	0.0158100	0.0157100	0.0152100
Iroquois	0.0219500	0.0215000	0.0215000	0.0215000	0.0215000
Millcreek Township	0.0148800	0.0146300	0.0141400	0.0141400	0.0141400
North East	0.0160600	0.0157500	0.0151300	0.0151300	0.0146500
Northwestern	0.0104600	0.0102500	0.0100000	0.0100000	0.0100000
Union City Area	0.0122300	0.0120100	0.0118900	0.0118900	0.0118800
Wattsburg Area	0.0171500	0.0166500	0.0152500	0.0150000	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>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
0.0184990	0.0184850	0.0163710	0.0159600	0.1920000
0.0170687	0.0164187	0.0164187	0.0164187	0.1678750
0.0167400	0.0162600	0.0153900	0.0145700	0.1660000
0.0135600	0.0135600	0.0135600	0.0115600	0.1560000
0.0130300	0.0126000	0.0126000	0.0117000	0.1570000
0.0157500	0.0151500	0.0148500	0.0142500	0.1740000
0.0147100	0.0147100	0.0140600	0.0133750	0.1625000
0.0215000	0.0215000	0.0180000	0.0167500	0.1887500
0.0141400	0.0137700	0.0131200	0.0124900	0.1439000
0.0143600	0.0140800	0.0130800	0.0130800	0.1550000
0.0097000	0.0097000	0.0097000	0.0092030	0.1380000
0.0116161	0.0123700	0.0123700	0.0105700	0.1430000
0.0146500	0.0144000	0.0140761	0.0125261	0.1757000

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

Taxpayer	2011			2002		
	100% Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	40% Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Presque Isle Downs	\$ 122,465,910	1	1.08%	-----	-----	-----
Millcreek Mall/Cafaro	112,401,300	2	0.99%	\$ 21,013,830	1	1.00%
Baldwin Brothers	94,725,329	3	0.83%	19,879,650	2	0.95%
Scott Development Enterprise	70,357,780	4	0.62%	8,484,880	4	0.40%
Wal Mart	46,582,240	5	0.41%	-----	-----	-----
Pastore Brothers, et al	37,059,800	6	0.33%	6,137,020	6	0.29%
Developers Diversified	33,060,000	7	0.29%	7,235,240	5	0.34%
Maleno Developers	23,862,520	8	0.21%	-----	-----	-----
Millcreek Community Hospital	23,795,600	9	0.21%	-----	-----	-----
Lord Corp	23,152,860	10	0.20%	-----	-----	-----
Erie Indemnity	-----	-----	-----	12,677,090	3	0.60%
General Electric Company	-----	-----	-----	5,510,950	7	0.26%
Palermo et al	-----	-----	-----	3,830,230	8	0.18%
International Paper	-----	-----	-----	3,750,750	9	0.18%
Granada Apartments	-----	-----	-----	3,587,500	10	0.17%
Total	<u>\$ 587,463,339</u>		<u>5.16%</u>	<u>\$ 92,107,140</u>		<u>4.39%</u>
Assessed Value of All Properties	<u>\$ 11,376,259,228</u>			<u>\$ 2,097,197,110</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		Total Adjusted Levy	Collected within the Fiscal Year of the Levy			Total Collections to Date		
	(Original Levy)	Adjustments		Amount	Percentage of Original Levy	Collections in Subsequent Year	Amount	Percentage of Adjusted Levy	
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%	
2011	68,530,885	26,531	68,557,416	65,164,301	95.05%	-	65,164,301	95.05%	

DEBT CAPACITY

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)
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	*
2011	83,660,000	(1,780,995)	475,347	-	81,879,005	*	0.72%	\$291.40	11,376,259,228	280,985	*

(a) Population and personal income data can be found on page 167

(b) Property data can be found on page 159

* 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, 2011

<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	150,981,720	100.00%	150,981,720
Total Cities	<u>150,981,720</u>		<u>150,981,720</u>
Boroughs:			
Albion	n/a	100.00%	n/a
Cranesville	-	100.00%	-
Edinboro	564,609	100.00%	564,609
Elgin	-	100.00%	-
Girard	1,165,270	100.00%	1,165,270
Lake City	816,376	100.00%	816,376
McKean	n/a	100.00%	n/a
Mill Village	n/a	100.00%	n/a
North East	n/a	100.00%	n/a
Platea	n/a	100.00%	n/a
Union City	52,663	100.00%	52,663
Waterford	39,034	100.00%	39,034
Wattsburg	831,973	100.00%	831,973
Wesleyville	100,515	100.00%	100,515
Total Boroughs	<u>3,570,440</u>		<u>3,570,440</u>
Townships:			
Amity	-	100.00%	-
Concord	-	100.00%	-
Conneaut	-	100.00%	-
Elk Creek	177,468	100.00%	177,468
Fairview	-	100.00%	-
Franklin	142,844	100.00%	142,844
Girard	-	100.00%	-
Greene	-	100.00%	-
Greenfield	-	100.00%	-
Harborcreek	463,757	100.00%	463,757
Lawrence Park	241,840	100.00%	241,840
LeBoeuf	44,000	100.00%	44,000
McKean	-	100.00%	-
Millcreek	n/a	100.00%	n/a
North East	2,253,550	100.00%	2,253,550
Springfield	149,295	100.00%	149,295
Summit	-	100.00%	-
Union	129,326	100.00%	129,326
Venango	n/a	100.00%	n/a
Washington	404,000	100.00%	404,000
Waterford	-	100.00%	-
Wayne	173,469	100.00%	173,469
Total Townships	<u>4,179,549</u>		<u>4,179,549</u>

COUNTY OF ERIE, PENNSYLVANIA
 Direct and Overlapping Governmental Activities Debt
 as of December 31, 2011
 (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	\$ 102,603,346	100.00%	\$ 102,603,346
Corry Area	26,462,889	100.00%	26,462,889
Fairview	25,852,936	100.00%	25,852,936
Ft. LeBoeuf	n/a	100.00%	n/a
General McLane	12,270,000	100.00%	12,270,000
Girard	n/a	100.00%	n/a
Harborcreek	18,345,288	100.00%	18,345,288
Iroquois Area	n/a	100.00%	n/a
Millcreek	61,385,475	100.00%	61,385,475
North East	18,750,000	100.00%	18,750,000
Northwestern	n/a	100.00%	n/a
Union City Area	n/a	100.00%	n/a
Wattsburg Area	28,650,203	100.00%	28,650,203
Total School Districts	<u>\$ 294,320,137</u>		<u>\$ 294,320,137</u>
Subtotal Overlapping Debt	<u>\$ 453,051,846</u>		<u>\$ 453,051,846</u>
Total Direct Debt			
Total Direct and Overlapping Debt			<u>\$ 453,051,846</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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Assessed Value of Property	\$ 827,341,564	\$ 10,395,150,238	\$ 10,380,140,073	\$ 10,567,128,750
Percentage of net debt to assessed value	2.66%	0.38%	0.37%	0.62%
Population	282,475	282,892	280,833	280,184
Net bonded debt per capita in dollars	\$ 78	\$ 140	\$ 136	\$ 234
Debt Limit 300% of average gross revenue	\$ 651,153,056	\$ 664,744,809	\$ 698,376,009	\$ 723,547,860
<u>Amount of Debt Applicable to Limit</u>				
General Obligation Bonds	\$ 30,030,000	\$ 47,555,000	\$ 45,720,000	\$ 72,315,000
Less: Resources Restricted to Paying Principal	(8,058,155)	(7,854,425)	(7,423,874)	(6,624,954)
Total net debt applicable to limit	<u>21,971,845</u>	<u>39,700,575</u>	<u>38,296,126</u>	<u>65,690,046</u>
Legal Debt Margin	\$ 629,181,211	\$ 625,044,234	\$ 660,079,883	\$ 657,857,814
Total net debt applicable to the limit as a percentage of debt limit	3.37%	5.97%	5.48%	9.08%

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

Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 10,948,946,060	\$ 11,079,225,801	\$ 11,185,706,711	\$ 11,282,268,586	\$ 11,327,397,410	\$ 11,376,259,228
0.58%	0.56%	0.73%	0.77%	0.72%	0.67%
279,811	280,446	279,175	280,291	280,566	280,985
\$ 227	\$ 220	\$ 291	\$ 310	\$ 292	\$ 270
\$ 748,838,606	\$ 814,429,000	\$ 926,390,630	\$ 1,007,874,207	\$ 1,034,994,660	\$ 1,009,502,850
\$ 69,580,000	\$ 68,800,000	\$ 88,325,000	\$ 93,750,000	\$ 88,795,000	\$ 83,660,000
(6,168,694)	(7,211,971)	(7,196,475)	(6,931,318)	(6,918,724)	(7,777,548)
63,411,306	61,588,029	81,128,525	86,818,682	81,876,276	75,882,452
\$ 685,427,300	\$ 752,840,971	\$ 845,262,105	\$ 921,055,525	\$ 953,118,384	\$ 933,620,398
8.47%	7.56%	8.76%	8.61%	7.91%	7.52%

COUNTY OF ERIE
Debt Statement Pursuant to Local Government Unit Debt Act
Statement as of December 31, 2011

	Electoral	Nonelectoral	Lease Rental
I. GROSS INCURRED DEBT			
Bonds Outstanding			
1977 Housing Authority (guarantee only)	\$ -	\$ -	\$ 670,000
1993 Hospital Authority for Pleasant Ridge Manor			-
1995 Higher Education Building Authority (guarantee only)	-	-	475,347
2003 G.O. Bond	-	17,895,000	-
2005 Erie County Convention Center Authority (guarantee only)	-	-	44,885,000
2005 G.O. Bond	-	15,065,000	-
2007 G. O. Bond	-	25,070,000	-
2008 G.O. Bond	-	15,430,000	-
2009 G.O. Bond	-	10,200,000	-
Total gross incurred debt	-	83,660,000	46,030,347
II. CREDITS AND EXCLUSIONS			
Less:			
Sinking funds, reserve accounts, bond proceeds	-	1,780,723	1,429,500
Current appropriations	-	-	-
Uncollected special assessments	-	-	-
Delinquent taxes and liens	-	5,996,825	-
Surplus cash	-	-	-
Solvent debts due	-	-	-
Indemnifying insurance	-	-	-
Self-liquidating debt	-	-	-
Totals	-	7,777,548	1,429,500
Net indebtedness	\$ -	\$ 75,882,452	\$ 44,600,847
Percentage of Legal Debt Limitation	0.00%	7.25%	3.28%

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

2011 Pleasant Ridge Manor letter of credit	\$ 1,700,000
2011 Pleasant Ridge Manor line of credit	1,000,000

Notes: The 2011 Line of Credit for Pleasant Ridge Manor (guarantee only) balance @ 12/31/11 was \$650,000.

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, 2011

	2009	2010	2011
Total Revenue Received	\$ 338,574,839	\$ 336,000,133	\$ 334,963,778
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	(16,395)	(9,350)	(10,155)
Grants and gifts-in-aid measured by construction of specific projects	-	-	-
Nonrecurring receipts	-	-	-
	338,558,444	335,990,783	334,953,623
Subtotals			
Total net revenues			\$ 1,009,502,850
Borrowing Base			
Total net revenues divided by three			\$ 336,500,950
Applicable Debt Limitations: Non-Electoral (300%)			\$ 1,009,502,850
Non-Electoral plus Lease Rental (400%)			\$ 1,346,003,800

DEMOGRAPHIC AND ECONOMIC INFORMATION

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			
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	9,237,676	32,870	41,751	5,636	47,387	125,400	9.40%	3,171
2011	280,985	*	*	40,621	5,081	45,702	129,000	8.00%	2,596

* Information not yet available

Sources:

- (1) 2002 - 2011 PA Dept of Labor and Industry
- (2) Pennsylvania Department of Labor and Industry
Bureau of Economic Analysis - 2010
- (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	2011			2002		
		(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	5,300	1	4.13%	4,800	1	3.56%
Erie Indemnity Company	Insurance	4,300	2	3.35%	2,100	2	1.56%
UPMC Hamot Medical Center	Health Related	3,400	3	2.65%	1,900	3	1.41%
Saint Vincent Health Center	Health Related	3,000	4	2.34%	1,700	4	1.26%
Pennsylvania State Government	State Government	3,000	5	2.34%	-----	-----	-----
Wal-Mart	Department/Grocery Store	1,600	6	1.25%	1,000	8	0.74%
Dr Gertrude A Barber Center	Health Related	1,500	7	1.17%	850	10	0.63%
United States Government	Federal Government	1,400	8	1.09%	-----	-----	-----
City of Erie School District	Public Education	1,300	9	1.01%	1,500	5	1.11%
Verizon	Public Utility, Telephone Service	1,200	10	0.94%	-----	-----	-----
County of Erie	County Government	-----	-----	-----	1,100	7	0.81%
Millcreek Township School District	Public Education	-----	-----	-----	900	9	0.67%
Plastek Industries	Plastics Manufacturing	-----	-----	-----	1,300	6	0.96%
		<u>26,000</u>		<u>15.97%</u>	<u>17,150</u>		<u>12.70%</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.

OPERATING INFORMATION

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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>2011</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>
<i>General Government</i>	91.0	97.0	93.0	94.0	99.0	94.5	84.5	82.5	84.5	84.5
<i>Courts and Court Related</i>	295.0	294.0	294.0	298.0	328.0	319.0	313.0	313.5	314.5	309.5
<i>Corrections</i>	290.0	290.0	307.0	309.0	306.0	327.5	324.0	312.0	312.5	306.5
<i>Community Service</i>	303.0	304.0	281.0	275.0	264.0	257.0	251.0	235.0	232.0	230.0
<i>Library</i>	65.0	64.0	69.0	72.0	94.0	80.5	84.0	78.5	80.5	82.0
<i>Public Health</i>	71.0	71.0	74.0	79.0	83.0	82.5	80.5	80.5	86.0	85.0
<i>Total</i>	<u>1,115.0</u>	<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>

Source: County of Erie Workforce Report

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

Function/Program	2011	2010	2009	2008	2007
Entry for Claims	12,055	12,606	12,271	10,681	12,302
Licenses issued (fishing, hunting, dog, doe, bingo)	29,064	27,286	29,214	32,496	25,957
Building permits monitored	2,596	3,171	2,934	3,061	3,357
Total taxable parcels	117,876	118,150	118,967	118,913	118,506
Total exempt parcels	4,651	4,416	4,359	4,407	4,298
Retired employees	44	40	40	15	12
Pension fund transactions processed	378	392	351	345	346
Full time employees	1,115	1,120	1,117	1,127	1,127
Part time employees	61	51	58	57	67
Deeds, mortgages, other recorded	31,397	33,036	34,447	33,160	38,875
Coroner cases	438	400	419	470	392
Autopsies performed	137	141	146	144	146
Discharged military personnel registered with Veteran Affairs	76	107	206	138	179
Bids received and opened	53	34	37	65	89
Special audits conducted	4	4	5	5	5
Fraud hotline calls received	10	35	25	25	27
Courts and Court Related					
New criminal cases	3,242	3,109	3,092	3,075	3,282
Jury trials	99	83	97	97	128
Non-jury trials	20	24	28	25	30
Criminal sentencings	2,563	2,540	2,318	2,479	2,663
New civil cases	3,737	3,941	2,560	2,108	1,621
Jury trials	9	12	6	14	15
Non-jury trials	11	8	11	7	15
Traffic citations (in thousands)	25	22	25	24	26
Summary offenses (in thousands)	12	12	13	13	14
Civil cases filed (in thousands [District Justice offices])	6	6	6	7	6
Criminal cases filed (in thousands [District Justice offices])	6	6	5	6	6
New support petitions filed	3,668	3,032	3,373	3,487	3,802
Modified petitions filed	1,861	2,472	2,670	2,967	3,368
Support conferences held	7,820	8,049	8,779	10,422	10,382
Support court hearings	311	418	368	303	347
Contempt court hearings	1,454	1,609	1,519	1,942	1,991
Support collections (in millions)	40	40	42	41	41
Warrants processed	1,702	943	1,744	3,311	2,357
Civil papers served	11,336	11,723	12,831	11,205	10,570
Sheriff sales	956	620	611	716	636

n/a = information not available

Source: Various County of Erie Departments

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

2006	2005	2004	2003	2002
10,666	11,595	11,680	11,213	n/a
26,542	26,117	27,904	n/a	n/a
3,768	3,591	4,732	3,667	3,774
118,506	117,948	n/a	n/a	n/a
4,299	3,919	n/a	n/a	n/a
18	23	78	16	22
322	264	365	199	216
1,109	1,079	1,065	1,076	1,060
67	75	72	68	74
40,611	45,328	50,155	66,857	64,516
428	412	398	399	452
176	183	158	130	100
174	155	142	171	184
75	76	71	50	48
6	6	4	4	4
28	37	16	n/a	n/a
<hr/>				
3,288	3,176	2,764	2,978	2,790
142	165	155	131	119
14	12	18	11	7
2,584	2,421	2,296	2,068	1,782
1,401	1,349	1,102	917	942
20	28	25	34	31
15	15	13	17	22
38	44	37	41	42
15	14	15	15	16
6	5	5	5	6
7	6	5	6	5
3,620	3,893	3,990	3,701	3,946
3,450	3,350	3,348	3,448	3,631
10,330	10,858	10,942	10,532	11,191
387	421	358	376	272
2,055	1,648	1,955	2,052	1,401
41	40	40	40	38
1,891	1,662	n/a	n/a	n/a
8,100	7,981	n/a	n/a	n/a
573	600	520	422	313

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

Function/Program	2011	2010	2009	2008	2007
Corrections					
Adult probation caseloads	2,914	2,954	2,788	2,874	3,112
Delinquency petitions	1,157	1,195	1,163	1,223	1,450
Delinquents in placement	124	128	149	149	154
Community Service					
Agricultural Easement Purchases	3	1	1	9	2
Land Use Reviews	246	239	236	240	254
Subdivisions and Land Development Reviews	168	176	188	233	281
HPMS Sample Section Field Reviews	132	131	124	124	121
Local Bridge Inspection Program Inspections and Traffic Counts	153	152	85	101	85
Calls received at Emergency 911 center	172,680	166,116	147,869	55	106,127
Drug and Alcohol general admissions/completed screenings	4,243	2,237	2,243	2,100	2,893
Drug and Alcohol clients authorized	6,211	2,432	2,528	2,488	2,893
Drug and Alcohol treatment providers	13	12	13	15	17
Children and Youth Abuse Referrals	842	932	851	934	859
Children and Youth intake evaluations	1,697	2,651	2,853	3,234	2,703
Children and Youth placements	507	574	676	617	715
Mental Health Mental Retardation clients in various programs	20,919	19,674	20,219	14,436	17,272
Cost of Mental Health Mental Retardation services (in millions)	54	52	52	82	83
Health Choices members in various programs	13,283	13,237	11,859	10,570	7,380
Cost of Health Choices services (in millions)	63	61	56	61	21
Library					
Bookmobile circulation	25,209	25,302	36,547	42,022	39,055
Main library circulation	700,691	771,626	817,513	923,961	829,635
Branch library circulation	642,524	681,968	706,143	508,448	624,051
Public Health					
Immunization client visits	2010	1,965	2,840	2,140	2,337
Sexually transmitted disease client visits	2079	2,075	2,191	2,161	2,180
Tuberculosis client visits	3289	3,201	2,437	2,099	1,849
Nurse Family Partnership client visits	1456	1,765	1,683	1,472	1,564
Maternal Child Health client visits	752	809	1,090	1,544	1,338
Average daily census in nursing home	332	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
3,274	3,135	3,426	3,427	3,438
1,519	1,315	1,587	1,492	1,395
163	181	188	187	187
4	13	n/a	n/a	n/a
232	209	n/a	n/a	n/a
314	421	n/a	n/a	n/a
110	110	n/a	n/a	n/a
95	122	n/a	n/a	n/a
101,237	103,504	105,031	97,202	105,974
2,221	1,808	1,827	1,997	2,512
2,713	2,241	2,155	2,087	n/a
19	13	10	10	n/a
753	580	n/a	n/a	n/a
2,463	2,377	2,319	1,987	1,748
994	1,150	879	n/a	n/a
22,203	22,582	20,083	21,005	20,276
87	80	78	77	74
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
871,716	854,679	902,192	878,099	802,933
581,819	523,365	456,210	734,763	867,309
1,961	1,158	1,430	1,532	1,781
2,328	2,399	2,232	2,199	1,970
3,899	2,298	2,046	2,077	2,372
1,306	n/a	n/a	n/a	n/a
1,106	n/a	n/a	n/a	n/a
372	356	362	355	354

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

Function	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government										
Buildings	4	4	4	4	4	4	4	4	4	4
Square footage	204,943	204,943	204,943	210,173	210,173	210,173	210,173	209,774	209,774	209,774
Vehicles	6	5	8	7	6	4	3	3	3	3
Courts and Court Related										
Sheriff vehicles	28	26	28	26	27	27	26	25	22	20
Sheriff search and rescue boat	0	0	0	0	0	1	1	0	0	0
Other department vehicles	17	14	14	16	16	15	15	7	7	4
Corrections										
Prison facilities	2	2	2	2	1	1	1	1	1	1
Square footage	205,720	205,720	205,720	205,720	177,720	177,720	177,720	175,320	175,320	175,320
Number of beds	690	690	690	690	695	695	694	694	557	557
Prison vehicles	5	6	5	6	5	5	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	11	14	13	15	15	18	15	11	11	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	18	20	18	19	16	13	5	3	3
Emergency Management watercraft	3	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	6	5	5	5	10	6	4	4
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	237,278
Average number of beds*	388	388	388	388	388	388	388	390	402	387
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	158,200	155,000
Branch libraries	4	4	4	4	4	4	4	4	6	6
Combined branch square footage	25,249	25,249	25,249	22,652	15,922	15,922	15,922	15,922	22,782	22,782
Library vehicles	4	3	3	3	3	3	4	4	4	4

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, 2011

<u>Elected Officials</u>		<u>Salary</u>
Council Chairman (part-time)	Fiore A. Leone	\$ 9,325.68
Council Members (part-time)	Ronald Cleaver	8,780
	Phil Fatica	8,780
	Carol J. Loll	8,780
	Kyle Foust	8,780
	Joseph F. Giles	8,780
	Ebert Beeman	8,780
County Executive	Barry Grossman	84,961
County Controller	Suzanne R. Weber	61,935
District Attorney	Jack Daneri	106,850
Sheriff	Robert G. Merski	63,659
Coroner	Lyell P. Cook	61,934
Clerk of Records	Patrick Fetzner	67,698
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	70,849
Director of Personnel	Peter Callan	60,000
County Solicitor (part-time)	Gary Shapira, Esq.	40,000
Public Defender	Patricia Kennedy	80,001
Assistant Public Defenders	6 Full Time 11 Part Time	618,376

Employees

The County employs an average 1,115 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

\$ 37,707

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

\$ 107,973

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 423.3 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

\$ 37,540