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County of Erie

MARK C. POLONCARZ
COMPTROLLER

July 8, 2011

Erie County Legislature
92 Franklin Street, 4th Floor
Buffalo, New York 14202

Hon. Christopher C. Collins
Erie County Executive
95 Franklin Street, 16th Floor
Buffalo, New York 14202

Re: Erie County 2010 Comprehensive Annual Financial Report

Dear Honorable Members and County Executive Collins:

Enclosed for your review is Erie County's 2010 Comprehensive Annual Financial Report.

If you have any questions about the enclosed, please contact my Office at your earliest convenience.

Sincerely yours,

Mark C. Poloncarz, Esq.
Erie County Comptroller

MCP/nr
Enc.

c: Gregory G. Gach, Director, Budget and Management
Erie County Audit Committee Members
Erie County Fiscal Stability Authority

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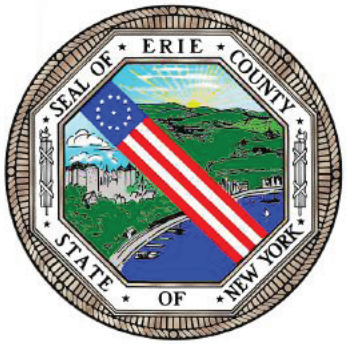
COUNTY OF ERIE

NEW YORK

Comprehensive Annual Financial Report



For the Year Ended December 31, 2010

MARK C. POLONCARZ

Erie County Comptroller

COUNTY OF ERIE, NEW YORK

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2010

Prepared By:
Erie County Comptroller's Office
MARK C. POLONCARZ
Erie County Comptroller

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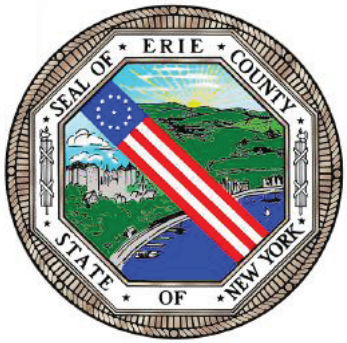
INTRODUCTORY SECTION

This section contains the following:

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



County of Erie

MARK C. POLONCARZ
COMPTROLLER

June 30, 2011

Erie County Legislature
92 Franklin Street, 4th Floor
Buffalo, New York 14202

Honorable Christopher C. Collins
Erie County Executive
95 Franklin Street, 16th Floor
Buffalo, New York 14202

Dear Honorable Members and County Executive Collins:

The Comprehensive Annual Financial Report ("CAFR") of the County of Erie, New York, (the "County") for the fiscal year ended December 31, 2010 is submitted in accordance with the requirements of Section 1202 (i) of the Erie County Charter.

INTRODUCTION

This report was prepared by the Erie County Comptroller's Office in conformance with current accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board ("GASB") and the New York Office of the State Comptroller. County management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The firm of Deloitte & Touche LLP, the County's independent auditor, has issued an unqualified ("clean") opinion on the County's financial statements for the year ended December 31, 2010. The independent auditor's report is located at the front of the financial section of this report.

ERIE COUNTY OFFICE BUILDING ● 95 FRANKLIN STREET, BUFFALO, NEW YORK 14202
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Basic Information

The County is a metropolitan center covering 1,058 square miles that is located on the western border of New York State, adjacent to Lake Erie. Situated within the County are three cities, 25 towns, and 16 villages, including the City of Buffalo, which serves as the County seat, and is the State's second most populous and largest city. The County provides a variety of mandated and discretionary services and facilities to its residents covering the areas of culture, parks and recreation, social services, police, libraries, youth, health, senior services, roads, mental health, probation, corrections, emergency services, license bureau, and sanitary sewerage. Additionally, the County operates a community college.

The County is a major New York industrial and commercial center, and is favorably located relative to the markets of both the United States and Canada. Access to these markets is enhanced by the fact that the County is among the largest rail centers in the United States; that it is provided trucking services by numerous transcontinental, international and common carriers; and that it is a focal point of international water-borne transportation.

Subject to the New York State Constitution and Laws, the County operates pursuant to a County Charter ("Charter") and Administrative Code. Additionally, various New York State laws govern the County to the extent that such laws are applicable to counties operating under a charter form of government.

The legislative power of the County is vested in a 15-member governing board known as the County Legislature ("Legislature"), each member of which is elected for a two-year term. Principal functions of the Legislature include adoption of the annual budget, levying of taxes, review and approval of budget modifications, adoption of local laws, and authorization of the incurrence of all County indebtedness. In addition to the members of the Legislature, there are five County-wide elected officials, each elected to four-year terms: County Executive, County Comptroller, County Clerk, District Attorney, and Sheriff. The County Comptroller serves as the County's chief fiscal, accounting, reporting and auditing officer.

Component Units

Consistent with criteria promulgated in the GASB Codification, the financial statement reporting entity includes the County of Erie, New York (the primary government) and its significant component units. The County's component units are comprised of the Buffalo and Erie County Public Library; the Erie County Medical Center Corporation and its two component units Research for Health in Erie County, Inc. and ECMC Lifeline Foundation, Inc.; two component units of the Erie Community College proprietary fund, the Auxiliary Services Corporation of Erie Community College, Inc. and the Erie Community College Foundation, Inc.; the Erie County Fiscal Stability Authority ("ECFSA"); the Erie Tobacco Asset Securitization

Corporation ("ETASC"); the Erie Tax Certificate Corporation ("ETCC") and the Buffalo and Erie County Industrial Land Development Corporation, Inc. ("ILDC"). Additional detailed information relating to the specific organizations and the manner of inclusion (discrete presentation or blending) in the reporting entity as component units, and the basis for making such determinations, are also discussed in Note I(A) to the financial statements.

Erie County Fiscal Stability Authority

In July 2005, the New York State Legislature and Governor created the Erie County Fiscal Stability Authority ("ECFSA") to monitor the County's finances. Under the Erie County Fiscal Stability Authority Act ("Act"), the legislation establishing the ECFSA, the County is required to develop and submit a Four Year Financial Plan to ECFSA for its approval. Under the Act, if the County fails to meet certain criteria, or if the County meets other criteria such as the County having "incurred a major operating funds deficit of one percent or more in the aggregate results of operations of such funds of the County during its fiscal year," (§ 3959 of the Act) the ECFSA may declare and enter into a "control period." Under the Act, in a control period, the ECFSA may engage in a number of actions including establishing a wage and/or hiring freeze, setting maximum levels of County spending and requiring its approval for any County borrowing. On November 3, 2006, citing deficiencies in the County's 2007-2010 Four Year Financial Plan, ECFSA imposed a control period on Erie County, which continued until June 2009.

After more than six months in advisory status, the ECFSA threatened to return to a control period in February 2010 due to concerns with the County's 2010-2014 Four-Year Financial Plan and budget gaps that were projected to begin in 2011. However, on February 12, 2010, the ECFSA voted to remain in an advisory status. Also on that date, the County Executive reversed his position on borrowing for capital projects and announced that the ECFSA would conduct the borrowing on behalf of the County. This decision ensures the existence of the ECFSA through the 13-year duration of the bonds.

Erie County's 2010 Budget

Under the Charter, the County Executive is required to submit his annual budget to the County Legislature by October 15th. In early October 2009, in association with the ECFSA-required Four Year Financial Plan, the County Executive presented his 2010 Tentative Budget to the legislature for review and action. On December 1, 2009, the County Legislature approved its 2010 Amended Budget. Subsequently, the County Executive vetoed a number of the legislature's amendments, many of which were overridden by the legislature on December 8, 2009.

Despite the ECFSA declaring and entering into control periods for the County's 2007, 2008 and 2009 fiscal years, the County ended each year with a surplus and a balanced budget. A General Fund surplus of $9.3 million was reported for the year-ended December 31, 2007, a $10.7 million surplus was reported for the year-ended December 31, 2008, and a $43.6 million surplus was reported for the year-ended December 31, 2009. With the ECFSA reverting to advisory status in 2009 and remaining in advisory status through Fiscal Year 2010, a surplus of $23.5 million for the year-ended December 31, 2010 was reported for the General Fund. The undesignated fund balance and total fund balance of the General Fund are $66.9 million and $125.3 million, respectively, as of December 31, 2010.

ECONOMIC CONDITION AND OUTLOOK

Local Economy

Historically, the local economy was built on railroad commerce, steel manufacturing, automobile production, Great Lakes shipping and grain storage. However, following heavy job losses in the manufacturing sector in the 1970's and early 1980s, the local economy has become more diversified with growth in the financial, health and service sectors. This diversification has tended to cushion local impacts during economic downturns, but strengthening the local economic base and improving the local economy has been a gradual, sometimes sporadic, process ongoing since the mid-1980s.

After hovering around 5.0 percent for most of the decade (2001-2008), unemployment in Erie County dramatically increased through 2009 and into 2010 as a result of the worldwide recession. After peaking at 9.3 percent in January 2010, the County's unemployment rate continued to drop throughout the year ending at 7.9 percent in December 2010. Erie County's unemployment rate in 2010 averaged 8.2 percent as opposed to 8.6 percent statewide and 9.6 percent nationally (s*ource: New York State Department of Labor, United States Bureau of Labor Statistics)*.

Erie County was less impacted by the dramatic inflation in real estate prices, one of the contributing factors to the recession. In addition, the County's foreclosure rate and number of foreclosures is significantly less than the national and state averages and rates.

Erie County has increasingly become a center of bioinformatics and medical research which includes development at the University at Buffalo, Hauptman-Woodward Medical Research Institute, and Roswell Park Cancer Institute. Development of the Buffalo Niagara Medical Campus in downtown Buffalo has continued since its inception in 2001.

The financial activities sector has continued to have a strong presence in Erie County. Already headquarters of M&T Bank, the County is also home to a major operations center for HSBC Bank USA and corporate operations facilities for Bank of America, Key Bank and Citigroup.

With respect to Erie County's manufacturing sector, in 2010 General Motors announced that the corporation will invest $425.0 million to upgrade its facility in the Town of Tonawanda to produce the next generation fuel-efficient, four-cylinder Ecotec engine. Overall, in spring and summer 2010 area manufacturers endured a slowdown in growth, culminating in an actual decline in business during September, which rebounded in October leading to accelerated growth in November. The growth in November hit a more than two-year high which pushed activity among manufacturers to its highest level since August 2008.

In 2010, construction or structural improvements were scheduled or completed on various buildings in the City of Buffalo, including completion of the $7.0 million renovation to the Buffalo Niagara Convention Center (funded by the County), continued construction of the new 260,000 square foot Federal Court House at Niagara Square, and planned expansion of the new Embassy Suites Buffalo hotel in the Avant Building, that was previously converted from the former Dulski Federal Building.

For many years there has been an emphasis on enhancing the "quality of life" and on further developing the region's considerable cultural and recreational potential as another means of attracting and retaining investment and jobs. This includes the County's significant financial investment in recent years in the area's cultural institutions, including Frank Lloyd Wright's Darwin Martin House, Graycliff Estate and Rowing Boathouse and the Buffalo and Erie County Zoological Gardens. The County continued to serve as a significant source of annual operational funding to dozens of local cultural agencies through 2010 though funding has been significantly cut for 2011. The County's waterfront along Lake Erie has been the focus of significant residential and commercial development including the development of parks, green spaces and pedestrian/bicycle trails. In December of 2010, Buffalo and Niagara University in Lewiston, NY hosted the I.I.H.F. World U20 Junior Hockey Championship. It was only the fifth time in the 35-year history of the world juniors that the United States has played host.

Major Fiscal Impacts on the County in 2010

The resistance of the local economy to the worst effects of recessions, and the success of some local economic development activities has had a positive influence on the County's finances. While the cities in the County have experienced some stagnation or erosion of their property tax bases, overall the local tax base has continued to grow slowly. Starting in late 2008 and continuing in early 2009, reflecting national and regional trends, County sales tax receipts began to decline. However, in late 2009 through 2010, County sales tax revenues increased above the County's adjusted budget projection and the County ended 2010 with a positive variance of 2.27 percent over 2009 and 2.19 percent over the 2010 Adopted Budget. The County believes that a significant positive component of this revenue stream is the influx of Canadian shoppers due to the strong Canadian dollar.

In 2010, the County, like many counties across the country working through the lingering effects of the recession, continued to receive unexpected extraordinary financial assistance from the federal government. This financial aid, referred to as Federal Medical Assistance Percentage ("FMAP") was channeled to the County via the State, and is related to the County's expense for Medicaid. In 2010, the County received $43.0 million in FMAP assistance, with the majority of this aid coming in the form of reduced mandatory weekly County Medicaid payments to New York State.

OTHER RELEVANT INFORMATION

Relevant Financial Policies

The County Charter, amended by Local Law 3-2006, includes specific provisions for fund balance. The Charter requires the County to establish and maintain "a balance in all funds established in the budget equal to or greater than five percent of the amount contained in the budget of each fund in the immediately preceding fiscal year." The Charter also provides for limits and specific requirements governing the County's use/appropriation of fund balance including legislative approval and that the County may not appropriate fund balance below the five percent level.

Monthly Accrual/Monitoring System

Since 1985, the County has maintained a Budget Monitoring System which compares budgetary estimates at the department and account level to fully accrued actual data on a monthly basis. The monitoring reports are used as a management tool during the fiscal year. All major variances are reconciled and, as appropriate, corrective measures are taken to ensure any projected deficit condition will be prevented or minimized. The County Administration is also required to submit monthly budget monitoring reports to the County Legislature.

Independent Audit

Since 1975, it has been the County's policy to have an independent audit of its annual financial statements performed by a certified public accounting firm. The Charter provides for an independent Audit Committee that is responsible for recommending one or more specific firms to conduct annual audits of the County and the Erie Community College. The County has complied with the Charter's requirement to have an independent audit performed and the auditors' opinion is provided in the Financial Section of this report.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report ("CAFR") for the fiscal year ended December 31, 2009. To be awarded a Certificate of Achievement, a government must publish a CAFR that is comprehensive, well organized and easy to read. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year. We believe that our CAFR for fiscal year 2010 continues to meet the Certificate of Achievement Program's requirements and we will submit it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible were it not for the efforts of the Comptroller's Office's Accounting Division staff, other cooperating County departments, and our independent auditor, Deloitte & Touche LLP. I would like to express my appreciation to all those who assisted and contributed to its preparation.

Respectfully submitted,

Mark C. Poloncarz, Esq.
Erie County Comptroller

MCP/nr

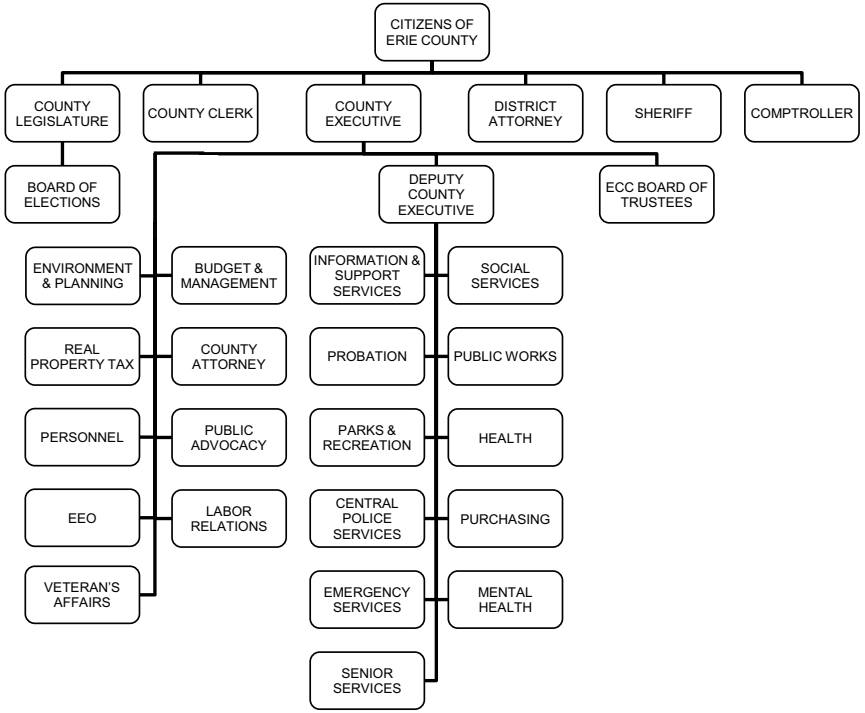
COUNTY OF ERIE, NEW YORK
SUMMARY OF ELECTED OFFICIALS
December 31, 2010

COUNTY CLERK	COUNTY EXECUTIVE	DISTRICT ATTORNEY	SHERIFF	COUNTY COMPTROLLER
Kathleen C. Hochul	Chris Collins	Frank A. Sedita III	Timothy B. Howard	Mark C. Poloncarz

ERIE COUNTY LEGISLATORS

District No. 1	Daniel M. Kozub	District No. 9	Christina W. Bove
District No. 2	Timothy J. Whalen	District No. 10	Kevin R. Hardwick
District No. 3	Barbara A. Miller-Williams	District No. 11	Lynn M. Marinelli
District No. 4	Raymond W. Walter	District No. 12	Lynne M. Dixon
District No. 5	Dino J. Fudoli	District No. 13	John J. Mills
District No. 6	Maria R. Whyte	District No. 14	Thomas A. Loughran
District No. 7	Betty Jean Grant	District No. 15	Edward A. Rath III
District No. 8	Thomas J. Mazur		

COUNTY OF ERIE, NEW YORK
ORGANIZATIONAL CHART
December 31, 2010



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Erie
New York

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

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

President

Executive Director

FINANCIAL SECTION

This section contains the following:

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

Deloitte.

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Williamsville, NY 14221-4842
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Fax: +1 716 856 7760
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INDEPENDENT AUDITORS' REPORT

Honorable County Executive
Honorable County Comptroller
Members of the County Legislature
County of Erie, NY

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Erie, New York (the "County") as of and for the year ended December 31, 2010 (with the Erie Community College for the year ended August 31, 2010), which collectively comprise the County's basic financial statements, as listed in the table of contents. We have also audited the financial statements of each of the County's nonmajor governmental and fiduciary funds and library and other component units presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Erie Community College, which represent 4.0% and 6.8%, respectively, of the assets and revenues of the government-wide financial statements. We did not audit the financial statements of the Erie Community College Foundation, Inc. and Auxiliary Services Corporation of Erie Community College, Inc., which are shown as aggregate discretely presented component units. We did not audit the financial statements of the Erie County Fiscal Stability Authority, which represent 28.0% and 25.4%, respectively, of the assets and revenues of the governmental activities. We did not audit the financial statements of Erie County Medical Center Corporation (ECMCC), a discretely presented component unit. Additionally, we did not audit the financial statements of ECMC Lifeline Foundation, Inc. or Research for Health in Erie County, Inc., which are shown within the ECMCC discretely presented component unit. We did not audit the financial statements of Buffalo and Erie County Industrial Land Development Corporation and Subsidiary (ILDC), a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it related to amounts included for those component units, Erie Community College, and Erie County Fiscal Stability Authority, is based on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

Member of
Deloitte Touche Tohmatsu Limited

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary fund and library and other component units of the County, as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the schedule of funding progress, as listed on pages 3 through 11 and page 80, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. 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 basic financial statements. The combining and individual nonmajor governmental fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section 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.

Deloitte & Touche LLP

June 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

(unaudited)

This section of the County of Erie, New York's (the "County") comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the year ended December 31, 2010, and incorporates financial information from the year ended December 31, 2009 for comparative analysis purposes. Please read it in conjunction with the County's basic financial statements following this section. **All amounts in this *Management's Discussion and Analysis*, unless otherwise indicated, are expressed in thousands of dollars.**

FINANCIAL HIGHLIGHTS

The County's assets exceeded liabilities at the close of the 2010 fiscal year by $14,524 *(net assets)*. This consists of $6,231 restricted for specific purposes *(restricted net assets)*, $388,609 invested in capital assets, net of related debt, and a deficit in unrestricted net assets of $380,316 at December 31, 2010.

- The primary government's total net assets decreased by $12,760. Governmental activities decreased the County's net assets by $9,016. Business type activities decreased the County's net assets by $3,744.
- As of December 31, 2010, the County's governmental funds reported combined fund balances of $273,834, an increase of $135,719 in comparison to the prior year. Approximately 72.8% of the total combined governmental funds fund balance, $199,241, is available to meet the County's current and future needs *(unreserved fund balance).*
- At the end of the fiscal year, unreserved fund balance for the General Fund was $113,460 or 90.5% of the total General Fund fund balance of $125,313. Total unreserved designated General Fund fund balance was $46,556 at December 31, 2010.
- The total bonded debt of the primary government increased by $129,176 or 18.4% during the 2010 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the County's basic financial statements. The County's basic financial statements include three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. In addition to the basic financial statements, required supplementary information is included.

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

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

The *Statement of Activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or in part a portion of their costs through user fees and charges *(business-type activities).* The governmental activities of the County include general government, public safety, health, transportation, economic assistance and opportunity, culture and recreation, education, and home and community services. The business-type activities of the County include Erie Community College ("College") and the Utilities Aggregation Fund. A fiscal year ending August 31 is mandated by New York State law for the College. Accordingly, financial information for the College is presented as of and for the fiscal year then ended.

On July 12, 2005, the Governor of the State of New York signed legislation creating the Erie County Fiscal Stability Authority ("ECFSA"). The ECFSA began its work during 2005 in an advisory role and provides the County with financial oversight while

giving local leaders the ability to improve the County's fiscal condition without further State intervention. The ECFSA is included as a governmental activity in the government-wide financial statements. On November 3, 2006, the ECFSA imposed a control period on the County empowering the ECFSA to operate with its maximum authorized compliment of control and oversight powers over County finances. On that date, the ECFSA also imposed a hiring freeze and a contract review process. The ECFSA reverted to an advisory status on June 2, 2009 and maintained its advisory status through the 2010 fiscal year.

The government-wide financial statements include not only the County (i.e., t*he primary government*) but also the legally separate Buffalo and Erie County Public Library (the "Library"), Erie County Medical Center Corporation (the "ECMCC") and other component units. Financial information for these *discretely presented component units* of the County is reported separately from the financial information presented for the primary government itself. The Library does not issue separate financial statements.

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All funds of the County are divided into three categories: *governmental funds, proprietary funds,* and *fiduciary funds.*

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows* and *outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The County maintains fifteen (15) individual governmental funds. Additionally, the County reports the activities of its *blended component units* within its governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and ECFSA blended component unit (reported as a major special revenue fund). Data from the other governmental funds and blended component units are combined into a single, aggregated presentation.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund.

Proprietary funds - The County maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the College and the Utilities Aggregation Fund, which is used to account for the bulk purchase and resale of gas, oil, and electric utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The College is considered to be a major proprietary fund of the County.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County has one fiduciary fund, the Agency Fund, which is used to account for funds held by the County as agent for employee withholdings, guarantee and bid deposits, court funds, monies due to other governments, and other miscellaneous items. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide other post-employment benefits to its employees. Required supplementary information can be found immediately following the notes to the financial statements.

The Combining and Individual Fund Financial Statements provide Combining Statements for non-major governmental funds; comparisons of budgetary and actual data for certain Special Revenue Funds and Debt Service Fund; Statement of Changes in Assets and Liabilities for the Agency Fund; Fund Financial statements for the discretely presented Library component unit; and Combining Statements for Other component units. They are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $14,524 at the close of the most recent fiscal year.

Summary of Net Assets as of December 31, 2010 and 2009

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 566,830	$ 516,547	$ 45,737	$ 41,628	$ 612,567	$ 558,175
Capital assets	815,031	790,368	14,421	12,628	829,452	802,996
Total assets	1,381,861	1,306,915	60,158	54,256	1,442,019	1,361,171
Long-term liabilities	1,097,988	925,552	47,081	35,477	1,145,069	961,029
Other liabilities	265,140	353,614	17,286	19,244	282,426	372,858
Total liabilities	1,363,128	1,279,166	64,367	54,721	1,427,495	1,333,887
Net assets:						
Invested in capital assets, net of related debt	374,188	373,664	14,421	12,628	388,609	386,292
Restricted	6,231	16,148	-	-	6,231	16,148
Unrestricted (deficit)	(361,686)	(362,063)	(18,630)	(13,093)	(380,316)	(375,156)
Total net assets (deficit)	**$ 18,733**	**$ 27,749**	**$ (4,209)**	**$ (465)**	**$ 14,524**	**$ 27,284**

A significant portion of the County's net assets at December 31, 2010 ($388,609) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding and any unspent proceeds from bond issues. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets ($6,231) represents resources that are subject to external restrictions on how they may be used.

The remaining and largest component of the County's net assets, a deficit of $380,316, represents *unrestricted net assets* which reflect all liabilities that are not related to the County's capital assets and which are not expected to be repaid from restricted resources. Long-term liabilities are typically funded annually in the funds with revenues of that year. The combined total of (1) Erie Tobacco Asset Securitization Corporation ("ETASC", a blended component unit of the County) tobacco settlement asset-backed bonds ($286,318), issued to be paid back with future tobacco proceeds which will be received annually over the next fifty (50) years, and (2) the long-term liability associated with other post-employment benefits ($225,070), is greater than this deficit. As the revenue recognition criteria for the future funding of these liabilities has not been met, no assets have been recorded to offset these liabilities.

At the end of the current fiscal year, the County is able to report positive balances in two of the three categories of net assets for the County as a whole and in one category for its business-type activities. Governmental and business-type activities have unrestricted net asset deficits of $361,686 and $18,630 respectively at December 31, 2010.

The County's net assets decreased by $12,760 during the 2010 fiscal year, as further explained in the next section.

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

Summary of Changes in Net Assets for the Year Ended December 31, 2010 and 2009

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$ 74,808	$ 82,748	$ 59,949	$ 58,297	$ 134,757	$ 141,045
Operating grants and contributions	456,029	468,793	7,412	6,790	463,441	475,583
Capital grants and contributions	25,718	12,282	-	-	25,718	12,282
General revenues:						
Property taxes	257,749	251,224	-	-	257,749	251,224
Sales and use taxes	661,933	646,893	-	-	661,933	646,893
Transfer taxes	7,246	8,553	-	-	7,246	8,553
Non-operating revenues:						
Federal, state and local appropriations	-	-	72,463	63,255	72,463	63,255
Unrestricted interest earnings	1,524	1,592	146	298	1,670	1,890
Miscellaneous and other	14,622	8,628	-	-	14,622	8,628
Total revenues	**1,499,629**	**1,480,713**	**139,970**	**128,640**	**1,639,599**	**1,609,353**
Expenses:						
General government	423,161	420,026	-	-	423,161	420,026
Public safety	141,543	122,888	-	-	141,543	122,888
Health	82,855	89,927	-	-	82,855	89,927
Transportation	72,615	62,673	-	-	72,615	62,673
Economic assistance and opportunity	579,927	567,035	-	-	579,927	567,035
Culture and recreation	24,567	23,754	-	-	24,567	23,754
Education	75,529	70,716	-	-	75,529	70,716
Home and community service	53,186	48,628	-	-	53,186	48,628
Interest and fiscal charges	37,833	39,511	-	-	37,833	39,511
College	-	-	132,556	123,988	132,556	123,988
Purchase and resale of utilities	-	-	28,587	27,490	28,587	27,490
Total expenses	**1,491,216**	**1,445,158**	**161,143**	**151,478**	**1,652,359**	**1,596,636**
Excess (deficiency) before transfers	8,413	35,555	(21,173)	(22,838)	(12,760)	12,717
Transfers	(17,429)	(17,221)	17,429	17,221	-	-
Change in net assets	(9,016)	18,334	(3,744)	(5,617)	(12,760)	12,717
Net assets (deficit) - beginning	27,749	9,415	(465)	5,152	27,284	14,567
Net assets (deficit) - ending	**$ 18,733**	**$ 27,749**	**$ (4,209)**	**$ (465)**	**$ 14,524**	**$ 27,284**

Governmental activities

Governmental activities decreased the County's net assets by $9,016. Revenues and expenses increased by $18,916 (1.3%) and $46,058 (3.2%), respectively, and net transfers out increased $208 (1.2%) from 2009 to 2010. Key elements of this increase are as follows:

- The $15,040 (2.3%) increase in the sales and use taxes category was primarily the result of taxable sales growth due in part to Canadian consumers taking advantage of the stronger Canadian dollar. Rising fuel prices commencing in the fall of 2010 also added to this growth.
- Revenue from property taxes increased by $6,525 (2.6%). Increases to the total tax levy ($9,108) mainly for assessment growth, accounted for the increase.
- Transfer tax revenues decreased $1,307 (15.3%) compared to 2009 as a result of reduced real property sales. Federal homebuyer tax credits expired in April 2010 which contributed to this decline.
- Miscellaneous and other revenues grew by $5,994 (69.5%) primarily due to reimbursement of demolition costs ($1,113) for the future construction of new facilities and an excess operating credit ($4,704) both received from ECMCC.
- Capital grants and contributions increased $13,436 during the year as a result of increased Federal and State aid for road and bridge projects ($9,221) and increased State aid for other building improvements and land development ($4,619).
- Operating grants and contributions deceased $12,764 (2.7%) during the year. Decreases in State aid for social services programs ($11,559), mental health programs ($4,755) and ECFSA efficiency grants ($3,744), coupled with a decrease in ETASC tobacco revenues ($3,497), were offset by increased program funding from the federal government including Federal Medicaid Assistance Percentage ($3,792) and various social services programs ($2,240) and increases in State aid for the special needs preschool program ($4,888).
- Public safety expenses increased by $18,655 or 15.2% primarily as a result of increases in salaries ($2,129), overtime ($4,035), retirement charges due to a one-time full payment of charges previously amortized and a contribution rate increase mandated by the State ($6,521), other fringe benefits ($2,384) and contractual services ($1,431).
- Economic assistance and opportunity expense increased by $12,892 (2.3%) chiefly due to increases in salaries and fringe benefits ($9,898) and capital asset acquisitions below established capitalization thresholds ($3,560).
- Transportation expenses increased $9,942 (15.9%) mainly as a result of increases in expenditures for road and bridge maintenance projects and flood damage repair and cleanup ($8,576) and depreciation ($658).

Business-type activities

Business-type activities decreased the County's net assets by $3,744 in the 2010 fiscal year compared to a decrease of $5,617 in 2009. The College generated decreases in net assets of $3,962 and $5,561 for the years ended August 31, 2010 and 2009, respectively. The operating loss at August 31, 2010 was greater than the operating loss at August 31, 2009 by $7,671 as operating revenues generated increased $903 and operating expenses increased $8,574. Revenues generated during the fiscal year ended August 31, 2010 for student tuition and fees increased as a result of an increased enrollment. An increase in Pell scholarships awarded to students, and collectively bargained salary and wage increases, make up much of the expense increase. The County sponsorship share of support to the College for the College's fiscal year ended August 31, 2010 was $17,429 and is reported as a 2010 operating transfer to the College from the County's General ($15,629) and Special Capital ($1,800) funds.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental funds - The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Projects Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At December 31, 2010, the County's governmental funds reported combined fund balances of $273,834 which is an increase of $135,719 in comparison with the prior year. Approximately 72.8% of the combined fund balances ($199,241)

constitutes *unreserved fund balance,* which is available to meet the County's current and future operational and capital needs. The remainder of fund balance is *reserved* to indicate that it is *not* available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the prior period ($34,741); (2) to pay debt service ($28,288); (3) to reflect prepaid items and loans that are long-term in nature and thus do not represent available spendable resources ($10,209); and (4) for a variety of other restricted purposes ($1,355). Following is a discussion of the significant balances and operations of selected funds.

- **General Fund –** The General Fund is the chief operating fund of the County. At December 31, 2010, unreserved fund balance of the General Fund was $113,460 while total fund balance was $125,313. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9.3% of total expenditures (excluding other financing uses), while total fund balance represents 10.2% of that same amount.

  Fund balance in the County's General Fund increased by $23,475 during the 2010 fiscal year compared to 2009 when the General Fund experienced an increase of $43,647.

- **ECFSA General Fund –** Short-term debt, specifically bond anticipation notes ("BANs") decreased by $122,665. This represents reductions in BANs that matured in 2010 ($102,675) that were re-financed by the issuance of general obligation bonds, reported in the ECFSA Debt Service Fund, and BANs needed to meet the County's short-term cash flow needs during 2010 ($19,990). Interest and fiscal charges increased by $2,437.

- **Road Special Revenue Fund –** The 2010 General Fund subsidy to this fund decreased by $3,241 from the 2009 amount, when in that year, additional transfers were made to alleviate a 2008 deficit fund balance.

- **Emergency Response Special Revenue Fund –** The ending 2010 fund balance of $1,414 was comprised entirely of the receipt of final reimbursements for damage related to a major snowstorm that occurred in October, 2006.

- **Debt Service Fund –** The Debt Service Fund has a total fund balance of $8,324 which is reserved solely for the purpose of payment of future debt service. The net decrease in fund balance during the current year of $4,212 was due primarily to the appropriation of prior year ending fund balance in the amount of $4,998.

- **ECFSA Debt Service Fund –** This fund was established during 2010 as a result of the ECFSA issuing long-term general obligation bonds on behalf of the County. At year-end, the ECFSA held County cash in the amount of $9,420 that was accumulated by intercepting and withholding the County's sales tax receipts from New York State. These monies will be used for future debt service payments.

- **Capital Projects Funds –** The County maintains six (6) capital projects funds which account for the construction and re-construction of general public improvements. At the end of the 2010 fiscal year, the total fund balances amounted to $92,476 of which $26,381 was encumbered for contracts underway, $669 was designated for future construction projects at ECMCC, and $65,426 was undesignated and unreserved.

  All capital project funds reported positive fund balances at December 31, 2010. Proceeds from the issuance of general obligation bonds on May 18, 2010 in the amount of $157,995 transferred in from ECFSA remediated prior year deficit fund balances in the General Government Buildings, Equipment and Improvements Fund ($1,816), Highways, Roads, Bridges and Equipment Capital Projects Fund ($21,115) and Special Capital Projects Fund ($6,218).

  During 2010, the County's capital outlay increased in the General Government Buildings, Equipment and Improvements Fund ($23,355), Highways, Roads, Bridges and Equipment Capital Projects Fund ($8,138) and Sewers, Facilities, Equipment and Improvements Fund ($2,773), and decreased in the Special Capital Projects Fund ($487) and ECMCC Capital Projects Fund ($220).

Proprietary funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. The College had an unrestricted net deficit of $21,127 at August 31, 2010.

The following table shows actual revenues, expenses, and results of operations for the current and prior fiscal years:

Summary of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the Year ended December 31, 2010 and 2009

	Major Fund College August 31,		Nonmajor Fund Utilities Aggregation		Total	
	2010	2009	2010	2009	2010	2009
Operating revenues	$ 38,556	$ 37,653	$ 28,805	$ 27,434	$ 67,361	$ 65,087
Operating expenses	132,539	123,965	28,587	27,490	161,126	151,455
Operating loss	(93,983)	(86,312)	218	(56)	(93,765)	(86,368)
Non-operating revenues, net	72,592	63,530	-	-	72,592	63,530
Net (loss) income before contributions and transfers	(21,391)	(22,782)	218	(56)	(21,173)	(22,838)
Transfers	17,429	17,221	-	-	17,429	17,221
Change in net assets	**$ (3,962)**	**$ (5,561)**	**$ 218**	**$ (56)**	**$ (3,744)**	**$ (5,617)**

The net loss before contributions and transfers of enterprise funds of $21,173 is comprised of a net loss of $21,391 for the College and net income of $218 for the Utilities Aggregation Fund.

The College reported a total net assets deficit of $6,706 at August 31, 2010. The College's net assets have decreased significantly in each of the past three fiscal years as a result of the adoption in 2007 of GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

An annual appropriated budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles, except that encumbrances are reported as budgeted expenditures in the year of incurrence of commitment to purchase.

During the 2010 fiscal year there was a $358,136 decrease in total budgeted revenues between the original and final budget. The main component of the net decrease is the reclassification of $370,630 from the 'Sales and Use Taxes' line to the 'Transfers In' line to match sales tax transfers received from the ECFSA which intercepts the County portion of sales tax remitted by the New York State Department of Taxation and Finance.

The budget for other financing sources was increased during the year by $370,754, primarily for the sales and use taxes reclassification referred to in the previous paragraph.

Budgeted appropriations and other financing uses increased by $33,910. Budgeted expenditures increased in general government support ($19,860), primarily for risk retention ($6,421) and sales tax sharing with local governments ($5,737). The increase in transfers out ($8,139) occurred mainly due to transfers for debt service ($5,395); public safety ($8,079) primarily for jail management overtime ($4,536) and culture and recreation ($4,136) primarily for the benefit of the library ($3,000). These increases were partially offset by budgeted expenditure decreases in economic assistance and opportunity ($6,866), primarily due to decreases in child care programs ($7,144), foster care programs ($4,810), social services full-time salaries ($3,795) net of an increase for mandated disproportionate share program payments for the benefit of ECMCC ($7,792).

For the year, actual revenues exceeded budget by $9,371. This was mainly due to a positive budgetary variance in miscellaneous revenue for $9,329 mostly as a result of cancellation of prior year liabilities for social services programs ($5,587) and receipt of a first time excess operating support payment from ECMCC ($4,704). Sales and use taxes experienced a positive variance of $8,251. A negative budgetary variance in intergovernmental revenue amounted to $10,170 mainly due to reduced reimbursable expenditures for social services ($5,315) and mental health ($2,786) programs.

Actual expenditures were less than budget by $34,616 primarily due to savings in various categories as follows: general government support ($14,169), principally for risk retention expenditures ($5,315) and fringe benefits ($2,036); economic assistance and opportunity ($8,951), mainly for social services programs and health ($6,247) chiefly for mental health programs.

The total favorable budget to actual variance for the year amounted to $45,627.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounted to $829,452 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and improvements, improvements other than buildings, equipment, College library collections, and construction in progress. The total increase in the County's investment in capital assets for the current period was 3.3%.

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34. The County has elected to depreciate infrastructure assets.

Major capital asset events during the current fiscal year included an increase to construction in progress of $34,837. Depreciation on transportation network assets exceeded additions by $9,215.

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

Summary of Capital Assets at December 31, 2010 and 2009
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 30,415	$ 30,353	$ -	$ -	$ 30,415	$ 30,353
Buildings and Improvements	252,631	252,455	8,232	6,851	260,863	259,306
Improvements other than Buildings	15,234	15,483	47	50	15,281	15,533
Sewer and Transportation Networks	398,878	405,824	-	-	398,878	405,824
Machinery and Equipment	37,594	40,491	3,635	3,504	41,229	43,995
Library Collections	-	-	1,256	1,292	1,256	1,292
Construction in Progress	80,279	45,762	1,251	931	81,530	46,693
Total	**$ 815,031**	**$ 790,368**	**$ 14,421**	**$ 12,628**	**$ 829,452**	**$ 802,996**

Additional information on the County's capital assets can be found in Note I (F) and Note VIII of this report.

Debt Administration

At December 31, 2010, the primary government had total bonded debt outstanding of $832,786 as compared to $703,610 in the prior year. During the year, payments and other reductions of bonded debt amounted to $146,535. Additions, accretions and other adjustments amounted to $275,711. The issuance of long-term debt is a direct function of the County and is reported within the governmental activities columns in the government-wide financial statements.

Summary of Long-term Debt at December 31, 2010 and 2009

	Governmental Activities	
	2010	2009
Erie County bonds	$ 517,298	$ 400,024
Less: ECFSA mirror bonds	(246,005)	-
Net Erie County bonds	**271,293**	**400,024**
ECFSA bonds	246,015	-
ETASC bonds	319,545	322,420
Unamortized bond discounts	(11,422)	(11,533)
Unamortized bond premiums	34,745	16,950
Unamortized deferred amounts on refundings	(27,390)	(24,251)
Total bonded debt	**832,786**	**703,610**
Long-term bond anticipation notes	501	3,232
Total Primary Government long-term debt	**$ 833,287**	**$ 706,842**

New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year valuation. The current debt-limitation for the County is $2,962,433 which is only 18.4% exhausted by the County's outstanding general obligation debt of $545,873 (which includes a $97,150 bond guaranty to ECMCC).

The County's current bond ratings, as assigned by rating agencies, are as follows: Moody's: A2 (stable outlook); Fitch: A (stable outlook); and Standard & Poor's: BBB+ (stable outlook). Moody's and Fitch's ratings reflect recalibrations of their municipal ratings to their global rating scales in April 2010. Standard & Poor's rating has been in effect since July 2008 and was affirmed in July 2010.

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

SUBSEQUENT EVENTS

In February 2011, the County issued $650 of general obligation serial bonds to refund outstanding bonds.

The County issued $535 of general obligation bonds on May 5, 2011 in part to refinance long-term bond anticipation notes outstanding at December 31, 2010.

In July 2010, the ETCC Board of Directors initiated the dissolution of ETCC, which is scheduled to be completed by July 31, 2011.

See Note XVIII for more information regarding these subsequent events.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Erie County Office of the Comptroller, 95 Franklin Street Room 1100, Buffalo, New York 14202.

BASIC FINANCIAL STATEMENTS

These basic financial statements include the financial statements and related notes of the reporting entity that are essential to fair presentation of financial position and results of operations. The reporting entity includes the primary government and its discretely presented component units.

Statement of Net Assets

December 31, 2010

(dollars in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS		
	Governmental Activities	Business-type Activities	Total	Library	ECMCC	Other
ASSETS:						
Cash and cash equivalents	$ 170,352	$ 36,149	$ 206,501	$ 9,824	$ 16,542	$ 2,242
Investments	20,206	-	20,206	-	73,743	1,664
Restricted cash and cash equivalents	-	-	-	-	135,185	-
Receivables (net of allowances)	355,932	9,660	365,592	1,840	89,441	204
Due from primary government	-	-	-	411	1,847	-
Due from component unit	2,036	1,490	3,526	-	-	-
Internal balances	2,678	(1,563)	1,115	-	-	-
Inventories	-	-	-	-	-	44
Prepaid items	9,142	1	9,143	664	4,972	3
Other assets	6,484	-	6,484	-	3,082	1,443
Capital assets:						
Land, rare books and construction in progress	110,694	1,251	111,945	11,094	13,184	-
Other capital assets, net of depreciation	704,337	13,170	717,507	6,823	82,547	511
Total assets	**1,381,861**	**60,158**	**1,442,019**	**30,656**	**420,543**	**6,111**
LIABILITIES:						
Accounts payable	66,268	3,226	69,494	531	25,113	139
Accrued liabilities	72,176	5,944	78,120	670	51,726	1,475
Due to component unit	2,258	-	2,258	-	-	-
Due to primary government	-	-	-	-	3,526	-
Unearned revenue	54,367	8,116	62,483	689	18,598	-
Short-term debt	70,071	-	70,071	-	-	-
Long-term liabilities:						
Due within one year	75,413	2,158	77,571	903	2,250	-
Due in more than one year	1,022,575	44,923	1,067,498	12,008	205,879	-
Total liabilities	**1,363,128**	**64,367**	**1,427,495**	**14,801**	**307,092**	**1,614**
NET ASSETS (DEFICIT):						
Invested in capital assets, net of related debt	374,188	14,421	388,609	17,917	14,855	511
Restricted for:						
Capital projects	3,277	-	3,277	-	1,010	-
Debt service	1,723	-	1,723	-	10,294	-
Public safety	1,122	-	1,122	-	-	-
Other purposes	109	-	109	-	12,062	2,021
Unrestricted (deficit)	(361,686)	(18,630)	(380,316)	(2,062)	75,230	1,965
Total net assets (deficit)	**$ 18,733**	**$ (4,209)**	**$ 14,524**	**$ 15,855**	**$ 113,451**	**$ 4,497**

See accompanying notes to the financial statements.

Statement of Activities

For the year ended December 31, 2010

(dollars in thousands)

		PROGRAM REVENUES			NET (EXPENSE) REVENUE and CHANGES IN NET ASSETS					
					PRIMARY GOVERNMENT			COMPONENT UNITS		
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Library	ECMCC	Other
Primary government:										
Governmental activities:										
General government	$ 423,161	$ 26,794	$ 22,803	$ 4,377	$ (369,187)	$ -	$ (369,187)	$ -	$ -	$ -
Public safety	141,543	5,578	6,949	-	(129,016)	-	(129,016)	-	-	-
Health	82,855	2,470	62,198	-	(18,187)	-	(18,187)	-	-	-
Transportation	72,615	-	7,518	21,172	(43,925)	-	(43,925)	-	-	-
Economic assistance and opportunity	579,927	29,008	296,114	-	(254,805)	-	(254,805)	-	-	-
Culture and recreation	24,567	1,552	1,073	-	(21,942)	-	(21,942)	-	-	-
Education	75,529	95	41,275	169	(33,990)	-	(33,990)	-	-	-
Home and community service	53,186	9,311	13,652	-	(30,223)	-	(30,223)	-	-	-
Interest and fiscal charges	37,833	-	4,447	-	(33,386)	-	(33,386)	-	-	-
Total governmental activities	**1,491,216**	**74,808**	**456,029**	**25,718**	**(934,661)**	**-**	**(934,661)**	**-**	**-**	**-**
Business-type activities:										
College (August 31, 2010)	132,556	31,144	7,412	-	-	(94,000)	(94,000)	-	-	-
Utilities aggregation	28,587	28,805	-	-	-	218	218	-	-	-
Total business-type activities	**161,143**	**59,949**	**7,412**	**-**	**-**	**(93,782)**	**(93,782)**	**-**	**-**	**-**
Total primary government	**$ 1,652,359**	**$ 134,757**	**$ 463,441**	**$ 25,718**	**(934,661)**	**(93,782)**	**(1,028,443)**	**-**	**-**	**-**
Component units:										
Library	$ 30,395	$ 1,075	$ 2,734	$ -				(26,586)	-	-
ECMCC	439,938	363,107	1,277	502				-	(75,052)	-
Other component units	4,733	3,203	1,930	-				-	-	400
Total component units	**$ 475,066**	**$ 367,385**	**$ 5,941**	**$ 502**				**(26,586)**	**(75,052)**	**400**
General revenues:										
Property taxes levied for mall, sewer, and general purposes					257,749	-	257,749	-	-	-
Property taxes levied for library					-	-	-	22,172	-	-
Sales and use taxes					661,933	-	661,933	-	-	-
Transfer taxes					7,246	-	7,246	-	-	-
Unrestricted state and local appropriations					-	34,071	34,071	-	-	-
Federal and state student financial aid					-	38,392	38,392	-	-	-
Interest earnings not restricted to specific programs					-	-	-	19	7,286	-
Unrestricted interest earnings					1,524	146	1,670	-	-	51
Miscellaneous					14,162	-	14,162	3,968	71,826	-
Gain on sale of capital assets					460	-	460	-	-	-
Total general revenues					**943,074**	**72,609**	**1,015,683**	**26,159**	**79,112**	**51**
Transfers					(17,429)	17,429	-	-	-	-
Total general revenues and transfers					**925,645**	**90,038**	**1,015,683**	**26,159**	**79,112**	**51**
Change in net assets					**(9,016)**	**(3,744)**	**(12,760)**	**(427)**	**4,060**	**451**
Net assets (deficit) - beginning					**27,749**	**(465)**	**27,284**	**16,282**	**109,391**	**4,046**
Net assets (deficit) - ending					**$ 18,733**	**$ (4,209)**	**$ 14,524**	**$ 15,855**	**$ 113,451**	**$ 4,497**

See accompanying notes to the financial statements.

Balance Sheet

Governmental Funds

December 31, 2010

(dollars in thousands)

	General	ECFSA General	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 22,013	$ 841	$ 147,498	**$ 170,352**
Investments	-	-	20,206	**20,206**
Receivables (net of allowances)				
Real property taxes, interest, penalties and liens	66,746	-	1,352	**68,098**
Other	6,227	-	31,003	**37,230**
Due from other funds	80,313	45,000	16,656	**141,969**
Due from component unit	916	-	1,120	**2,036**
Due from other governments	170,351	47,969	30,882	**249,202**
Prepaid items	6,356	-	2,786	**9,142**
Loan receivable	1,402	-	-	**1,402**
Total assets	**$ 354,324**	**$ 93,810**	**$ 251,503**	**$ 699,637**
LIABILITIES:				
Accounts payable	$ 26,741	$ 8	$ 14,016	**$ 40,765**
Accrued liabilities	40,050	28	6,747	**46,825**
Due to other funds	45,200	47,659	46,432	**139,291**
Due to component unit	837	411	-	**1,248**
Due to other governments	22,684	-	908	**23,592**
Retained percentages payable	9	-	1,902	**1,911**
Unearned revenue	25,765	-	28,602	**54,367**
Deferred revenue	47,725	-	8	**47,733**
Short-term debt	20,000	44,815	5,256	**70,071**
Total liabilities	**229,011**	**92,921**	**103,871**	**425,803**
FUND BALANCES:				
Reserved for:				
Encumbrances	3,862	-	30,879	**34,741**
Debt service	-	-	28,288	**28,288**
Loan receivable	1,402	-	-	**1,402**
Prepaid items	6,356	-	2,451	**8,807**
E-911 system costs	-	-	1,122	**1,122**
Handicapped parking	109	-	-	**109**
Law enforcement	124	-	-	**124**
Unreserved, reported in:				
General fund				
Designated	46,556	-	-	**46,556**
Undesignated	66,904	-	-	**66,904**
Special revenue funds				
Designated	-	-	6,476	**6,476**
Undesignated	-	889	12,321	**13,210**
Capital projects fund				
Designated	-	-	669	**669**
Undesignated	-	-	65,426	**65,426**
Total fund balances	**125,313**	**889**	**147,632**	**273,834**
Total liabilities and fund balances	**$ 354,324**	**$ 93,810**	**$ 251,503**	**$ 699,637**

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet

Governmental Funds to the Statement of Net Assets

December 31, 2010

(dollars in thousands)

	Governmental Activities
Total fund balances - governmental funds	**$ 273,834**
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	815,031
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds	47,733
ECFSA interest receivable is recognized when earned in the government-wide financial statements, but in the fund financial income is accrued only if it will be received within sixty days of year-end.	2,670
ECFSA premium on BAN issuance is not due and payable in the current period and therefore is not reported in the funds	(224)
Costs associated with the issuance of bonds are capitalized in the statement of net assets and are expensed in the governmental funds in the year the bonds are issued.	5,376
Due to a component unit was deemed to be not due and payable in the current period and therefore not reported in the funds.	(1,010)
Certain current liabilities and long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Accrued bond interest	(26,689)
Compensated absences	(22,311)
Judgments and claims	(57,728)
Other postemployment benefits (OPEB)	(184,662)
Unamortized bond premiums	(34,745)
Unamortized bond discounts	11,422
Unamortized deferred amounts on refundings	27,390
Long-term bond anticipation notes	(501)
Bonds payable	(836,853)
Total net assets - governmental activities	**$ 18,733**

See accompanying notes to the financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended December 31, 2010

(dollars in thousands)

	General	ECFSA General	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Real property taxes and tax items	$ 219,650	$ -	$ 33,862	**$ 253,512**
Sales and use taxes	287,104	371,226	3,603	**661,933**
Transfer taxes	-	-	7,246	**7,246**
Intergovernmental	383,689	2,224	92,571	**478,484**
Interfund revenues	248	-	122	**370**
Departmental	63,349	-	11,365	**74,714**
Interest	1,490	34	1,521	**3,045**
Miscellaneous	10,696	-	2,488	**13,184**
Total revenues	**966,226**	**373,484**	**152,778**	**1,492,488**
EXPENDITURES:				
Current:				
General government support	353,033	438	8,222	**361,693**
Public safety	124,217	-	10,171	**134,388**
Health	71,185	-	10,905	**82,090**
Transportation	21,065	-	22,844	**43,909**
Economic assistance and opportunity	558,136	-	18,488	**576,624**
Culture and recreation	20,889	573	-	**21,462**
Education	73,799	-	90	**73,889**
Home and community service	2,225	-	42,099	**44,324**
Capital outlay	-	-	93,066	**93,066**
Debt service:				
Principal retirement	-	-	47,936	**47,936**
Interest and fiscal charges	-	2,831	35,549	**38,380**
Total expenditures	**1,224,549**	**3,842**	**289,370**	**1,517,761**
(Deficiency) excess of revenues over expenditures	**(258,323)**	**369,642**	**(136,592)**	**(25,273)**
OTHER FINANCING SOURCES (USES):				
Issuance of general obligation debt	-	-	249,598	**249,598**
Premium on BAN issuance	-	374	-	**374**
Premium on bond issuance	-	-	27,301	**27,301**
Issuance of refunding bonds	-	-	120	**120**
Payments to refunded bond escrow	-	-	(99,432)	**(99,432)**
Sale of property	449	-	11	**460**
Transfers in	370,754	1,595	363,784	**736,133**
Transfers out	(89,405)	(372,271)	(291,886)	**(753,562)**
Total other financing sources (uses)	**281,798**	**(370,302)**	**249,496**	**160,992**
Net change in fund balances	23,475	(660)	112,904	**135,719**
Fund balances at beginning of year	101,838	1,549	34,728	**138,115**
Fund balances at end of year	**$ 125,313**	**$ 889**	**$ 147,632**	**$ 273,834**

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds to the Statement of Activities

For the year ended December 31, 2010

(dollars in thousands)

		Governmental Activities
Net change in fund balances - total governmental funds		**$ 135,719**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However,in the statement of activities the cost of those assets is allocated over their estimated useful lives and depreciated. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays, net of disposals of $191	$ 75,390	
Depreciation	(50,727)	
Net adjustment		24,663
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.		
Real property taxes	4,237	
Deferred revenue-miscellaneous	(35)	
Net adjustment		4,202
Revenues of the ECFSA in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		1,831
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term debt and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the governmental funds and thus contributes to the change in fund balance. In the statement of net assets, however, payment of debt reduces the long-term debt liability and does not affect the statement of activities.		
Principal retirement	47,936	
Bonds issued	(252,329)	
Proceeds of refunding bonds	(120)	
Long-term bond anticipation notes	2,731	
Payments to refunded bond escrow	99,432	
Premium on bond issuance	(27,301)	
Amortization of fiscal charges	3,206	
Net adjustment		(126,445)
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Due to component unit	38	
Interest on bonds	(4,732)	
Compensated absences	1,343	
Retirement	9,570	
Judgments and claims (Long term change only)	(2,708)	
Amortization of bond issuance costs	1,321	
ECFSA BAN premium	378	
Other postemployment benefits (OPEB)	(54,196)	
Net adjustment		(48,986)
Change in net assets of governmental activities		**$ (9,016)**

See accompanying notes to the financial statements.

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual (Non-GAAP Basis of Accounting)
For the year ended December 31, 2010
(dollars in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
REVENUES:				
Real property taxes and tax items	$ 218,743	$ 219,885	$ 219,650	$ (235)
Sales and use taxes	644,050	278,853	287,104	8,251
Intergovernmental	388,285	393,859	383,689	(10,170)
Interfund revenue	275	275	248	(27)
Departmental	61,046	61,406	63,349	1,943
Interest	1,243	1,210	1,490	280
Miscellaneous	1,349	1,367	10,696	9,329
Total revenues	**1,314,991**	**956,855**	**966,226**	**9,371**
EXPENDITURES:				
Current:				
General government support	346,660	366,520	352,351	14,169
Public safety	118,140	126,219	124,070	2,149
Health	74,867	77,030	70,783	6,247
Transportation	20,471	21,065	21,065	-
Economic assistance and opportunity	574,433	567,567	558,616	8,951
Culture and recreation	18,667	22,803	20,783	2,020
Education	75,366	74,639	73,799	840
Home and community service	2,335	2,462	2,222	240
Debt service:				
Interest and fiscal charges	1,595	-	-	-
Total expenditures	**1,232,534**	**1,258,305**	**1,223,689**	**34,616**
Excess (deficiency) of revenues over expenditures	**82,457**	**(301,450)**	**(257,463)**	**43,987**
OTHER FINANCING SOURCES (USES):				
Sale of property	152	152	449	297
Transfers in	-	370,754	370,754	-
Transfers out	(82,609)	(90,748)	(89,405)	1,343
Total other financing sources (uses)	**(82,457)**	**280,158**	**281,798**	**1,640**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	**$ -**	**$ (21,292)**	**$ 24,335**	**$ 45,627**

See accompanying notes to the financial statements.

Statement of Net Assets

Proprietary Funds
December 31, 2010
(dollars in thousands)

	Business - Type Activities Enterprise Funds		
	Major Fund	Non-Major Fund	
	College August 31, 2010	Utilities Aggregation Fund	Total
ASSETS:			
Current Assets:			
Cash	$ 34,978	$ 1,171	**$ 36,149**
Receivables (net of allowances)	7,381	932	**8,313**
Due from other funds	558	435	**993**
Due from component unit	-	1,490	**1,490**
Due from other governments	-	1,347	**1,347**
Prepaid items	-	1	**1**
Total current assets	**42,917**	**5,376**	**48,293**
Noncurrent Assets:			
Capital assets, net of depreciation:			
Construction in progress	1,251	-	**1,251**
Other capital assets, net of depreciation	13,170	-	**13,170**
Total noncurrent assets	**14,421**	**-**	**14,421**
Total assets	**57,338**	**5,376**	**62,714**
LIABILITIES:			
Current Liabilities:			
Accounts payable	1,422	1,804	**3,226**
Accrued liabilities	4,869	1,075	**5,944**
Due to other funds	2,556	-	**2,556**
Fringe benefits payable - current	2,158	-	**2,158**
Deferred revenue	8,116	-	**8,116**
Total current liabilities	**19,121**	**2,879**	**22,000**
Noncurrent Liabilities:			
Fringe benefits payable	4,514	-	**4,514**
Net OPEB obligation	40,409	-	**40,409**
Total noncurrent liabilities	**44,923**	**-**	**44,923**
Total liabilities	**64,044**	**2,879**	**66,923**
NET ASSETS (DEFICIT):			
Invested in capital assets	14,421	-	**14,421**
Unrestricted (deficit), reported in:			
Community College	(21,127)	-	**(21,127)**
Nonmajor Fund		2,497	**2,497**
Total net assets (deficit)	**$ (6,706)**	**$ 2,497**	**$ (4,209)**

See accompanying notes to the financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the year ended December 31, 2010

(dollars in thousands)

	Business - Type Activities Enterprise Funds		
	Major Fund	Non-Major Fund	
	College August 31, 2010	Utilities Aggregation Fund	Total
OPERATING REVENUES:			
Student tuition and fees	$ 30,231	$ -	**$ 30,231**
Intergovernmental revenues and charges	2,963	-	**2,963**
State and local contracts	4,449	-	**4,449**
Interfund revenues		9,036	**9,036**
Other operating revenue	913	19,769	**20,682**
Total operating revenue	**38,556**	**28,805**	**67,361**
OPERATING EXPENSES:			
Employee wages	60,471	47	**60,518**
Employee benefits	33,756	17	**33,773**
Scholarships	18,070	-	**18,070**
Supplies	16,301	-	**16,301**
Utilities and telephone	2,374	28,523	**30,897**
Depreciation	1,567	-	**1,567**
Total operating expenses	**132,539**	**28,587**	**161,126**
Operating (loss) income	**(93,983)**	**218**	**(93,765)**
NONOPERATING REVENUES (EXPENSES):			
Unrestricted state and local appropriations	34,071	-	**34,071**
Federal and state student financial aid	38,392	-	**38,392**
Income from investments	146	-	**146**
Loss on disposal of plant assets	(17)	-	**(17)**
(Loss) gain before transfers	**(21,391)**	**218**	**(21,173)**
Transfers in	17,429	-	**17,429**
Change in net assets	**(3,962)**	**218**	**(3,744)**
Total net assets (deficit) - beginning	**(2,744)**	**2,279**	**(465)**
Total net assets (deficit) - ending	**$ (6,706)**	**$ 2,497**	**$ (4,209)**

See accompanying notes to the financial statements.

Statement of Cash Flows

Proprietary Funds

For the year ended December 31, 2010

(dollars in thousands)

	Business - Type Activities Enterprise Funds		
	Major Fund	Non-Major Fund	
	College August 31, 2010	Utilities Aggregation Fund	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from students and utility customers	$ 31,421	$ 20,228	**$ 51,649**
Payments to employees for services	(82,347)	(63)	**(82,410)**
Payments to suppliers for goods and services	(18,685)	(28,443)	**(47,128)**
Payments for scholarships	(18,069)	-	**(18,069)**
Federal, state and local grants	6,135	-	**6,135**
Internal activity - payments from other funds		8,920	**8,920**
Other operating revenues	2,103	-	**2,103**
Net cash (used in) provided by operating activities	**(79,442)**	**642**	**(78,800)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
County contribution	17,429	-	**17,429**
State appropriations	33,084	-	**33,084**
Municipal chargebacks	1,023	-	**1,023**
Federal and state student financial aid grants	34,927	-	**34,927**
Net cash provided by non-capital financing activities	**86,463**	**-**	**86,463**
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	(3,376)	-	**(3,376)**
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:			
Interest received	146	-	**146**
Net increase in cash	**3,791**	**642**	**4,433**
Cash, beginning of year	31,187	529	**31,716**
Cash, end of year	**$ 34,978**	**$ 1,171**	**$ 36,149**

(Continued)

See accompanying notes to the financial statements.

Statement of Cash Flows

Proprietary Funds

For the year ended December 31, 2010

(dollars in thousands)

	Business - Type Activities Enterprise Funds		
	Major Fund	Non-Major Fund	
	College August 31, 2010	Utilities Aggregation Fund	Total Funds
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:			
Operating loss	$ (93,983)	$ 218	**$ (93,765)**
Adjustments to reconcile operating (loss) income to net cash used by operating activities:			
Depreciation expense	1,567	-	**1,567**
Increase (decrease) in assets:			
Receivables, net	(907)	(225)	**(1,132)**
Due from other funds	(73)	92	**19**
Due from component unit	-	72	**72**
Due from other governments	-	520	**520**
Prepaid items	-	(1)	**(1)**
Increase (decrease) in liabilities:			
Accounts and other payables	87	(945)	**(858)**
Due to other funds	(96)	-	**(96)**
Accrued expenses	(21)	911	**890**
Deferred revenue	934	-	**934**
Other long-term liabilities	13,050	-	**13,050**
Net cash (used in) provided by operating activities	**$ (79,442)**	**$ 642**	**$ (78,800)**

(Concluded)

See accompanying notes to the financial statements.

Statement of Fiduciary Net Assets

Fiduciary Fund

December 31, 2010

(dollars in thousands)

	Agency Fund
ASSETS:	
Cash and cash equivalents	$ 65,132
Receivables:	
Other receivables	698
Bonds and securities held in custody	19
Total assets	**$ 65,849**
LIABILITIES:	
Held in custody for others	$ 65,849
Total liabilities	**$ 65,849**

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Erie, New York (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The more significant of the County's accounting policies are described below.

A. Financial Reporting Entity

The County was established in 1821. Subject to the New York State Constitution, the County operates pursuant to its Charter and Administrative Code (the "Charter"), as well as various local laws. Additionally, certain New York State laws govern the County to the extent that such laws are applicable to counties operating under a charter form of government. The Charter was enacted by local law and approved by the electorate at a general election held in November 1959. The Administrative Code was enacted into local law in 1961. The County Legislature is the legislative body responsible for overall operations, the County Executive serves as chief executive officer, and the County Comptroller serves as chief fiscal, accounting, reporting and auditing officer.

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

The financial reporting entity includes the County (the "primary government") and its significant component units. A component unit is either a legally separate organization for which the elected officials of a primary government are financially accountable, or another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

1. DISCRETELY PRESENTED COMPONENT UNITS

Financial data of the County's component units that are not part of the primary government is reported in the component units columns in the government-wide financial statements, to emphasize that these component units are legally separate from the County. The aggregate discretely presented component units are not simply an extension of the primary government (e.g. substantially different governing body, and services are provided to the general public). These discretely present component units include the following:

The Buffalo and Erie County Public Library (the "Library"), formed through a consolidation of several public and private libraries, was established by the County and chartered by the State University Board of Regents in 1953. It is a separate and distinct legal corporation that receives an annual budgetary contribution from the County. Library operations are governed by a board of trustees who are appointed by the County Legislature. Bonds and notes for Library capital costs are issued by the County and are obligations of the County. Title to real and personal property acquired with County funds vests with the County. The Library is included as a component unit of the County in the financial statements, based on the fact that it is a legally separate entity for which the County is financially accountable. The Library does not issue separate financial statements.

Erie County Medical Center Corporation ("ECMCC") is a public benefit corporation created in 2003 for the purpose of acquiring and operating the health facilities of the County. Effective January 1, 2004 (the "Transfer Date"), a transaction was executed which transferred ownership of the capital assets, equipment, inventories and certain other assets to ECMCC in exchange for a payment of $85,000,000 from ECMCC to the County. Concurrent with the transaction, $101,375,000 of ECMCC bonds were issued, which are guaranteed by the County. Pursuant to consent decrees entered into between the County and ECMCC, the County is committed to providing ongoing operating and capital support to ECMCC. The following component units are included within ECMCC:

Research for Health in Erie County, Inc. - Research for Health in Erie County, Inc. ("RHEC") is a nonprofit organization dedicated to developing and increasing the facilities of the public health institutions, agencies, and departments of the County. Additionally, RHEC is committed to provide more extensive conduct of studies and research into the causes, nature, and treatment of diseases, disorders, and defects of particular importance to the public health. RHEC's support comes primarily from various grants from federal, state, and other agencies. The financial statements of RHEC have been prepared on the accrual basis of accounting. The annual financial report can be obtained by writing Grant Administration, Research for Health in Erie County, Inc., 462 Grider Street, Buffalo, NY 14215.

ECMC Lifeline Foundation, Inc. - ECMC Lifeline Foundation, Inc. (the "Foundation") is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed for the purpose of supporting hospital programs generated both by the Foundation and the Erie County Medical Center. The annual financial report can be obtained by writing Director, ECMC Lifeline Foundation, Inc., 462 Grider Street, Buffalo, NY 14215.

The Grider Initiative, Inc. - The Grider Initiative, Inc. (the "Physician Endowment") is a nonprofit organization exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Physician Endowment was formed in 2009, and funded in 2010, for the purpose of recruiting physicians who shall practice on the Grider Street campus of the Corporation. The entity was funded with an initial transfer of $10,000 from the Corporation. Earnings from the investment of the initial transfer may be used only for physician recruitment and reasonable and necessary expenses of the entity. The annual financial report can be obtained by writing to: Chair, The Grider Initiative, Inc. 424 Main Street, Suite 2000, Buffalo, NY 14202.

ECMCC is considered to be a component unit of the County and is discretely presented based on the fact that it is a legally separate entity for which the County is financially accountable. Separate financial statements for ECMCC can be obtained from ECMCC, 462 Grider St, Buffalo, New York 14215.

Other Discretely Presented Component Units:

The *Auxiliary Services Corporation of Erie Community College, Inc.* (the "ECC Auxiliary Corporation"), and the *Erie Community College Foundation, Inc.* (the "ECC Foundation") are both included as discretely presented component units of the County's primary government pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations are Component Units* based on the fact that they are legally separate entities for which the College and County are financially accountable. They receive or hold economic resources that are significant to and can be accessed by the College that are entirely or almost entirely for the direct benefit of its constituents (students).

The purpose of the ECC Auxiliary Corporation, a New York non-profit corporation, is to promote and cultivate educational and social relations through the operation of bookstores, on-campus dining services, vending facilities, childcare, and student centers for the convenience of the students, faculty and staff of the College. The ECC Auxiliary Corporation is funded through sales of merchandise and food, Federal and State grants, and other fees. Separate financial statements can be obtained from the Auxiliary Services Corporation of Erie Community College, Inc., Executive Director, 6205 Main Street, Williamsville, NY 14221.

The ECC Foundation is a New York State nonprofit corporation established to support the College. Its purpose is to raise, receive, and administer all private gifts and program services for the College, its programs and its students. Separate financial statements can be obtained from Erie Community College Foundation, Inc., Executive Director, 4196 Abbott Road, Orchard Park, NY 14127.

The Buffalo and Erie County Industrial Land Development Corporation, Inc., ("ILDC") is a legally separate entity of which the County, acting by and through the County Executive, is the sole member. It is discretely presented in the County's financial statements because the County is financially accountable for it.

A voting majority of the board members are appointed by, and can be removed at will by, the County. The ILDC is managed by the board.

In 2009, ILDC by–laws and organizing documents were changed and specific activities first became under the direct governance of Erie County. These changes allow the ILDC to provide tax-exempt financing to not-for-profit organizations. Such debt of the ILDC can never be the debt of Erie County or any political subdivision thereof and can only be paid out of specific revenues and receipts of the ILDC. The ILDC provides no services to the County. Separate financial statements can be obtained from Buffalo Erie County Industrial Land Development Corporation Inc., Chief Operating Officer, 275 Oak Street, Buffalo, NY 14203.

2. BLENDED COMPONENT UNITS

Erie County Fiscal Stability Authority ("ECFSA") is included as a blended component unit of the County's primary government pursuant to GASB Statement No. 39 because exclusion would be misleading. The ECFSA was created to monitor and oversee the finances of the County. Agencies and departments by the ECFSA's activities include all the County's departments and sewer districts, the College and the Library. It reports using the governmental model and its general fund is reported as part of the County's special revenue funds.

The ECFSA is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation created by the Erie County Fiscal Stability Authority Act, Chapter 182 of the Laws of 2005, as supplemented by Chapter 183 of the Laws of 2005 (the "Act"). The Act became effective July 12, 2005.

The ECFSA is governed by seven directors, each appointed by the Governor, including one each appointed upon the recommendation of the Majority Leader of the State Senate, the Speaker of the Assembly and the State Comptroller. The Governor also designates the chairperson and vice-chairperson from among the directors.

The ECFSA has power under the Act to monitor and oversee the finances of Erie County, and upon declaration of a "Control Period" as defined in the Act, additional oversight authority. The ECFSA is also empowered to issue its bonds and notes for various County purposes, defined in the Act as "Financeable Costs."

On November 3, 2006, the Authority imposed a control period on the County in accordance with Section 3595(1)(e) of New York Public Authorities Law through resolution 06-49. The resolution empowered the ECFSA to operate with its maximum authorized compliment of control and oversight powers over County finances. During a control period all County contracts of $50,000 or more and filling of any positions are subject to ECFSA approval and ECFSA has the power to approve or reject all proposed County borrowings and the County may not borrow without formal ECFSA approval. In addition, the ECFSA has the right to freeze wages, although it has not elected to exercise that right. On June 2, 2009, the ECFSA revoked the control period and reverted to an advisory status with limited control and oversight powers over County finances.

During 2010, the ECFSA issued serial bonds and a bond anticipation note that were used to purchase mirror bonds and a revenue anticipation that were issued by the County.

Revenues of the ECFSA consist of sales tax revenues, defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County on the sales and use of tangible personal property and services in the County ("Sales Tax Revenues"), and investment earnings on money and investments on deposit in various ECFSA accounts. Sales Tax Revenues collected by the State Comptroller for transfer to the ECFSA are not subject to appropriation by the State or County. Revenues of the ECFSA that are not required to pay debt service, operating expenses and other costs of the ECFSA are payable to the County as frequently as practicable. Separate financial statements for ECFSA can be obtained from the Erie County Fiscal Stability Authority, 295 Main Street, Room 946, Buffalo, New York, 14203.

Erie Tobacco Asset Securitization Corporation ("ETASC") is a special purpose local development corporation organized under the Not-for-Profit Corporation Law of the State of New York and is an instrumentality of, but separate and apart from the County. ETASC was incorporated , for the sole purpose of issuing tobacco settlement asset backed bonds in order to provide funds to purchase from the County all of the County's right, title, and interest in annual payments to be received in settlement of certain smoking-related litigation. Although legally separate and independent of Erie County, ETASC is considered an affiliated organization under GASB Statement No. 39 and reported as a component unit of the County for financial reporting purposes and, accordingly, is included in the County's financial

statements. Separate financial statements for ETASC can be obtained from the Erie Tobacco Asset Securitization Corporation, Treasurer, 95 Franklin Street, Room 1600, Buffalo, New York, 14202.

Erie Tax Certificate Corporation ("ETCC") is a special purpose local development corporation organized under the Not-for-Profit Corporation Law of the State of New York and is an instrumentality of, but separate and apart from the County. The ETCC was created for the sole purpose of purchasing certain tax liens owned by the County and collecting the proceeds that may be received upon redemption of the tax liens or the sale of real property against which a tax lien exists. Although legally separate and independent of Erie County, ETCC is considered an affiliated organization under GASB Statement No. 39 and reported as a component unit of the County for County financial reporting purposes. Separate financial statements for ETCC can be obtained from the Erie Tax Certificate Corporation, President, 95 Franklin Street, Room 100, Buffalo, New York 14202.

3. RELATED ORGANIZATIONS

County elected officials nominate and confirm the three-member board of the Erie County Water Authority, ("Water Authority") and also appoint a voting majority of the board of the Buffalo Convention Center Management Corporation ("BCCMC"). The County's accountability for these legally separate organizations does not extend beyond making the board appointments. Specifically, the County cannot impose its will on any of these organizations. In addition, in the case of the Water Authority, no financial operating assistance is provided to, nor is the County liable for, any debt issued by this public benefit corporation. In regard to the not-for-profit BCCMC, the entity and the County are parties to an exchange transaction under which the BCCMC is responsible for operating and managing the area's convention center. These related organizations are not component units of the County and do not meet the basic criteria for inclusion in the County reporting entity.

4. JOINT VENTURE

The County is a participant in the Western Regional Off-Track Betting Corporation ("OTB"), a public benefit corporation established under New York State Racing, Pari-Mutuel Wagering and Breeding Law. The OTB conducts within the region a system of off-track pari-mutuel betting on horse races, and distributes net revenues to the participants in accordance with a predetermined formula. Separate financial data for this joint venture has been excluded from the financial statements, consistent with GAAP. Additional information about this joint venture is presented in Note XVII.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Some amounts reported as interfund activity have been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is the determination of what is expressed in reporting an entity's financial performance and position, (i.e., expenditures or expenses). A particular measurement focus is accomplished both by considering what resources will be measured and the basis of accounting.

Basis of accounting refers to when revenues, expenditures/expenses, and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

Accrual Basis – Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Modified Accrual Basis – Under this basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period (60-day rule). Revenues from federal, state, or other grants designated for specific County expenditure are recognized when the related expenditures are incurred.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and expenditures for inventory-type items and for prepayments (except retirement) are recognized at the time of the disbursements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, and fiduciary fund financial statements. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are measurable.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Property taxes, sales and use taxes, state and federal aid and various grant program revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government, subject to the 60-day rule noted above.

The County reports the following major governmental funds:

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

ECFSA General Fund – used to account for all of the operations of the ECFSA, included as a blended component unit. This fund accounts for sales tax revenues received by ECFSA and for general operating expenditures of ECFSA.

The County reports the following major proprietary fund:

Erie Community College – resources received and used for community college purposes are accounted for through the College. The College is not a legally separate entity from the County. A fiscal year ending August 31 is mandated by New York State law for the College. Accordingly, financial information for the College is presented as of and for the fiscal year then ended.

The College does not account for certain capital projects, certain capital assets or certain indebtedness. These are direct functions of the County and are reported within the governmental activities columns in the government-wide financial statements.

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

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

Equipment of the College has been included in the business-type activities column in the statement of net assets. This equipment is recorded at cost or estimated historical cost. Donated assets are stated at estimated fair value as of the date received.

Additionally, the County reports the following fiduciary fund type that is used to account for assets held by the County in a custodial capacity:

Agency Fund – used to account for money and property received and held in the capacity of custodian or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations.

Pursuant to the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used such as Utilities Aggregation Fund billings to other funds. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues are those that cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits and Investments

All highly liquid investments with an original maturity date of three months or less are considered to be cash equivalents. Investments are stated at fair value, the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

E. Prepaid Items

Certain payments to vendors and the New York State and Local Employees' Retirement System reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Capital Assets

All capital assets which are acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and are accounted for and reported in the government-wide financial statements as capital assets, if they meet the County's capitalization criteria. These statements also contain the County's infrastructure elements that are required to be capitalized under GAAP. Infrastructure assets include public domain assets such as roads, bridges, and sewer systems. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Equipment with an initial individual cost equal to or greater than $10,000 and an estimated useful life of three or more years is capitalized. All purchases of library books are capitalized because there is no minimum capitalization threshold. Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Improvements Other Than Buildings	5 - 25 years
Buildings and Improvements	15 - 40 years
Infrastructure	20 - 100 years
Library Collections	5 - 10 years

The Buffalo and Erie County Public Library has a rare book collection that is classified as a Work of Art and Historical Treasure for financial reporting purposes. This collection is deemed an inexhaustible asset, and therefore, is not depreciated.

When capital assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period in the government-wide statements. Amortization of capital leases is computed using the straight-line method over the lease term or the estimated useful lives of the assets, whichever is

shorter. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

G. Property Tax Revenue Recognition

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

Delinquent property taxes not collected at year-end (excluding collections in the 60-day subsequent period) are recorded as deferred revenue in the fund financial statements. The portion of delinquent property taxes for prior years estimated to be uncollectible at December 31, 2010, amounted to $11,619,168. This amount has been recorded as an allowance against the property taxes receivable account.

H. Compensated Absences

Most employees are granted vacation, personal, and sick leave and earn compensatory time in varying amounts. When they leave service, employees are entitled to payment for accumulated vacation and unused compensatory time at various rates subject to certain maximum limitations. In addition, depending on the applicable collective bargaining agreement, retirees may be eligible to receive a direct cash payment for a portion of unused sick time upon retirement.

Compensated absences for governmental fund type employees are reported as a liability and expenditure in the government-wide financial statements. Governmental funds recognize the expense when paid. For proprietary fund type employees, the accumulation is recorded as an accrued liability and/or other long-term obligation of the proprietary fund type.

Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore, timing of future payment is not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

I. Insurance

The County assumes the liability for most risk including, but not limited to, property damage, personal injury liability, medical malpractice, and workers' compensation. Asserted and incurred but not reported claims and judgments are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Such recording is consistent with the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* ("GASB 10"). Governmental fund type estimated current contingent loss liabilities for property damage, personal injury liability, medical malpractice, and workers' compensation are reported within governmental activities in the government-wide financial statements.

Loss contingency liabilities arising from operations of the College are recorded in accordance with GASB 10 by the County and are reported in full within governmental activities in the government-wide financial statements and in the General Fund when payment is due. They are only recognized as a College liability when invoiced from the County.

J. Pensions

Nearly all County employees are members of various New York State retirement systems. The County is invoiced annually by the systems for its share of the costs.

K. Statement of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include the following items: cash on hand; cash in checking and time accounts; and certain short-term items maturing three months or less from the date acquired, as permitted by State statute.

L. Restrictions

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

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The amount reported as restricted for other purposes for Governmental Activities, includes $109,278 that is restricted by New York State Law to payments related to enforcement of Handicapped Parking Laws. In addition, on the government-wide statement of net assets, ECMCC has reported $1,010,000 as net assets restricted for capital projects based upon restrictions imposed on certain receivables from the County by contract or legislative action.

- *Unrestricted Net Assets* – This category represents net assets of the County not restricted for any project or other purpose.

M. Reserves and Designations

In the fund financial statements, reserves represent that portion of fund balance that has been legally segregated for a specific use or which cannot be appropriated for expenditure by the County at December 31, 2010, and include:

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

Reserved for Debt Service – representing resources that must be used for principal payments that will be made in future periods.

Reserved for Loan Receivable – representing a loan to the Zoological Society of Buffalo for the redevelopment of the main animal building and a working capital advance to the ETCC.

Reserved for Prepaid Items – representing amounts prepaid to vendors and the New York State and Local Employees' Retirement System that are applicable to future accounting periods. The County limits reservations for

prepaid items to the amount of fund balance otherwise available and unreserved.

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

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

Reserved for Law Enforcement – representing funds received from the sale of surplus helicopter parts to be utilized exclusively to support and maintain the Sheriff's Office Aviation Division.

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

Designations at December 31, 2010 were as follows:

Designated for Subsequent Year's Expenditures – representing available fund balances being appropriated to meet future year's expenditure requirements. In the General Fund and Sewer Special Revenue Funds, $46,555,889 and $6,476,339 have been designated respectively. Within the Tobacco Proceeds and ECMCC Capital Projects Funds, which are recorded within other governmental funds, designated fund balance represents tobacco proceeds to be expended on future ECMCC capital projects; this balance is $668,745 at December 31, 2010.

N. Adoption of New Accounting Pronouncements

During the year ended December 31, 2010 the County adopted the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which had no effect on the County's financial position or result of operations.

The County also adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"). This pronouncement, applicable only to ETASC, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. As discussed in Note XII (B), ETASC's forward purchase swap agreement was deemed to be an effective hedge at December 31, 2010, requiring changes in the fair value of the hedging derivative instrument to be recognized as deferred inflows/outflows in the statement of net assets. As a result of the implementation of this pronouncement, ETASC recorded an asset with an offsetting liability of $1,108,170, which are presented within other assets and accrued liabilities, respectively, in the accompanying statement of net assets.

O. Future Impacts of Accounting Pronouncements

The County has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*, which are effective for the year ending December 31, 2011; GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are effective for the year ending December 31, 2012; and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, which is effective for the year ending December 31, 2013. The County is therefore unable to disclose the impact that adopting GASB Statements No. 54, 57, 59, 60, 61 and 62 will have on its financial position and results of operations when such statements are adopted.

II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the County Charter and Administrative Code, no later than October 15, the County Executive submits a tentative operating and capital budget which details proposed expenditures and the proposed means of financing to the Erie County Legislature for the fiscal year commencing the following January 1. The College budget is not included in the County Executive's tentative budget, since it is separately adopted during the first County legislative meeting in July for the fiscal year commencing September 1.

2. After public hearings are conducted to obtain taxpayer comments, the County Legislature (governing board) adopts the budget no later than the second Tuesday in December.

3. Annual appropriated budgets are adopted and employed for control of the General Fund; the Road, Sewer, Downtown Mall, E-911, and Emergency Response Special Revenue Funds; the Utilities Aggregation Enterprise Fund; and the Debt Service Fund, minimally detailed to the department, account and selected line item level. The Emergency Response Special Revenue Fund was established to account for revenues received from the Federal Emergency Management Agency and expenditures associated with the on-going clean up of major damage from a storm that occurred in October 2006. These budgets are adopted on a basis consistent with GAAP, except that encumbrances are reported as budgetary expenditures in the year of incurrence of commitment to purchase, in the General Fund, the enumerated Special Revenue Funds and the Debt Service Fund. All unencumbered appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified. Annual appropriated budgets are not employed for the Grants and Community Development Special Funds. A reconciliation to convert GAAP basis data to the budgetary basis is provided below.

4. Capital Projects funds are subject to project budgets determined primarily by the bonding authorizations used to fund a particular project rather than annual budgetary appropriations. These budgets do not lapse at year-end; rather, they lapse upon termination of the project.

5. The County Executive is authorized to make budget transfers within the same administrative unit up to a cumulative total of $10,000 between accounts or line items. Any proposed

transfer which would result in an increase exceeding $10,000 in any one line item in the budget, as adopted during the fiscal year or would affect any salary rate or salary total, would need prior approval by resolution of the County Legislature. In no instance shall a transfer be made from appropriations for debt service, and no appropriations may be reduced below any amount which is required by law to be appropriated.

6. Expenditures within the General, Special Revenue, Utilities Aggregation Enterprise, and the Debt Service Funds may not legally exceed the amount appropriated for such accounts or line items within a department. During the year, numerous supplementary appropriations were necessary.

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all County funds except Enterprise and the Fiduciary Fund. Outstanding encumbrances at year end, except for grant-related commitments that are not reported in the financial statements, are presented for GAAP reporting purposes as reservations of fund balances, and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The County reports its budgetary status with the actual data including encumbrances as charges against budgeted appropriations. Following is a reconciliation of the budgetary basis (i.e. non-GAAP) and the GAAP basis operating results (dollars in thousands):

	General Fund
Excess of revenues and other financing sources over expenditures and other financing uses - GAAP basis	$ 23,475
Less:	
Encumbrances at December 31, 2010	3,862
Plus:	
Encumbrances at January 1, 2010	4,722
Excess of revenues and other financing sources over expenditures and other financing uses - basis of budgeting	$ 24,335

Budget columns presented in the accompanying financial statements reflect deficiencies of revenues and other financing sources over expenditures and other financing uses. These deficiencies are caused by the anticipated use of prior-year's fund balance, which had been designated for 2010 expenditures through the budget process.

Commitments related directly to the Grants and the Community Development Special Revenue Funds in the amount of $9,815,774 and $1,843,060, respectively, at December 31, 2010, are not reported on the GAAP financial statements. Budget appropriations are not made available for these commitments until grant revenues are recognized at the time of expenditure.

B. Deficit Fund Balances

The Community College Proprietary Fund reported a total net assets deficit of $6,706,447 that represents primarily the effect of the implementation of GASB Statement No.45 in their 2007 fiscal year. It is anticipated that this trend will continue.

III – CASH, CASH EQUIVALENTS AND INVESTMENTS

Primary Government, Agency Fund and Library Component Unit

Available cash of the County is deposited and invested in accordance with the County's own written investment guidelines which have been established by the Comptroller's Office, approved by the County Legislature and are in compliance with provisions of applicable State statutes. The ECFSA and ETCC do not have formal investment policies.

Agency Fund bank accounts are maintained at financial institutions where moneys of the County's other funds are also on deposit. In addition, the Library does not maintain a separate bank account; instead, it participates in the pooled cash of the County. The banks calculate and report FDIC coverage and collateral requirements for the County's Agency Fund, the County's other funds and Library together, separately from that of the College.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from fluctuating interest rates, it is the County's policy to generally limit investments to 180 days or less.

Credit Risk – In compliance with New York State law, it is the County's policy to limit its investments to obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State of New York, time deposit accounts and certificates of deposit issued by a bank or trust company located in and authorized to do business in New York State and certain joint or cooperative investment programs.

Custodial Credit Risk – For investments, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A margin of 2% or higher of the market value of purchased securities in repurchase transactions must be maintained and the securities must be held by a third party in the County's name. For deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. Collateral is required for deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. Banks can satisfy collateral requirements by furnishing a letter of credit, a surety bond, or by pledging eligible securities as specified in Section 10 of New York State General Municipal Law. New York State Education Law does not require collateral for college checking accounts, unless the Board of Trustees deems it necessary. If collateral is required, it can be in the form of a surety bond or obligations of the United States, the State, or any municipality or college of the State. Certain balances for accounts held in trust are collateralized by the State of New York.

Concentration of Credit Risk – To promote competition in rates and service cost, and to limit the risk of institutional failure, County deposits and investments are placed with multiple institutions. The general rule is not to place more than $100,000,000 or 50% of the County's total investment portfolio, whichever is less, in overnight investments with any one institution.

Deposits - The County deposits cash into a number of bank accounts. Moneys must be deposited in demand or time accounts or certificates of deposit issued by FDIC-insured commercial banks or trust companies located within the State. Some of the County's accounts are required by various statutes and borrowing restrictions for specific funds, while the remainder are used for County operating cash and for investment purposes.
As of December 31, 2010 (August 31, 2010 as to the College), bank deposits of the Primary Government, Library, and Agency Fund were either insured or fully collateralized with securities held by the pledging financial institution's agent in the County's name.

Cash Equivalents - All highly liquid investments with an original maturity date of three months or less are considered to be cash equivalents. Existing policies require that any underlying securities for repurchase transactions must be only federal obligations. Such obligations are explicitly guaranteed by the U.S. Government and therefore not considered to have credit risk. At December 31, 2010, the fair value of money market accounts was $219,920,779 which were fully collateralized with securities held by the pledging financial institution's agent in the County's name.

Investments - All investments are carried at fair value and are held by a third party in the County's or ETASC's name. Investments for the Primary Government at year-end are shown below (dollars in thousands):

	Fair Value
Municipal bonds	$ 200
Institutional liquidity funds	427
Corporate commercial paper	19,579
Total Investments	$ 20,206

The County's investment in municipal bonds at December 31, 2010 consists of $200,000 of Gulf Coast Waste Disposal Authority of Texas revenue bonds maturing September 1, 2025 that were rated Aaa by Moody's and AAA by Standard and Poor's.

ETASC's investment in corporate commercial paper at December 31, 2010 consisted of $19,578,942 of Intesa Funding LLC obligations that matured and were rated A-1 by Standard and Poor's ("S&P"). Rating information for the ETASC's $427,129 investment in Blackrock Liquidity Funds was not available.

ECMCC Component Unit

The ECMCC maintains various accounts for depositing, disbursing and investing its funds. The ECMCC's investments are made in accordance with State regulations and its investment guidelines.

Deposits and petty cash - The ECMCC deposits cash into a number of bank accounts. As of December 31, 2010 the carrying amount of ECMCC's deposits was $16,542,000.

Cash Equivalents - All highly liquid investments with an original maturity date of three months or less are considered to be cash equivalents.

Investments - All investments are carried at fair value, and are categorized as insured or uninsured, and collateralized by securities held by the pledging financial institution in the ECMCC's name. The ECMCC's fixed income investments had an S&P credit quality rating of A-1+ as of December 31, 2010 (dollars in thousands).

	Fair Value
Money market mutual funds, bank accounts and deposits	$ 27,110
Marketable equity securities	37,152
U.S. Government and Agency Obligations	16,221
Corporate bonds	69,587
Pooled investment fund	46,059
Foundation Component Unit	1,713
RHEC Component Unit	1,086
Physician Endowment Component Unit	10,000
Total investments and restricted cash and cash equivalents	$ 208,928

	Fair Value
Investments	$ 73,743
Restricted cash and cash equivalents	135,185
	$ 208,928

Other Component Units

Erie Community College Foundation, Inc.—The portfolio of investments is carried at their fair value. For donated investments, costs are determined to be fair value at the date of gift.

Fair values and net unrealized gains and losses pertaining to the investment portfolio as of August 31, 2010 are as follows (dollars in thousands):

	Cost	Fair Value
Fixed income	$ 395	$ 395
Fixed income - exempt	144	144
International equities	553	453
Domestic stocks	758	672
	$ 1,850	$ 1,664
Net unrealized loss		$ (186)

IV - RESTRICTED CASH AND CASH EQUIVALENTS

ECMCC Component Unit

Assets Whose Use is Limited—Assets whose use is limited are reported as restricted cash and cash equivalents at December 31, 2010 and consist of the following (dollars in thousands):

	Fair Value
Patient and resident's trust cash	$ 654
Restricted for debt service principal and interest	10,294
Designated for retiree health obligations	23,829
Designated for acquisition of capital assets	25,000
Designated for self insurance	42,500
Designated for long-term investment	21,195
Foundation Component Unit	1,713
Physicians Endowment Component Unit	10,000
Total	$ 135,185

V - PROPERTY TAXES

The countywide property tax is levied by the County upon the taxable real property in the towns and cities in the County in late December of each year at the last meeting of the County Legislature and becomes a lien on the next succeeding January 1. Such taxes are collected by the respective collection officers in each town and in the cities of Lackawanna and Tonawanda until the date established for return of the tax rolls to the County, which can be no later than September 15. For the City of Buffalo, the County collects these taxes from the lien date.

With respect to the cities, the County taxes are due by February 15, and penalties are imposed as follows: 1.5% prior to March 1; 3% prior to March 16; 4.5% prior to April 1; 6% prior to April 16; 7.5% prior to May 1; and 1.5% additional each month thereafter. The cities each levy and collect their city taxes, and the County is not responsible for any unpaid city taxes. The County is responsible only for uncollected County taxes levied in such cities.

With respect to the towns, the countywide property tax is levied by the County together with town property taxes, which include special district, fire district, and highway taxes. In towns of the first class, taxes are due without penalties by February 15. Penalties are 1.5% prior to March 1; 3% prior to March 16; prior to April 1; 6% prior to April 16; 7.5% prior to May 1; and 1.5% additional for each month thereafter. In towns of the second class, taxes are due without penalty within ten days after receipt of the tax roll by the respective collection agency. Penalties are 1.5% prior to March 16 unless waived; 7.5% prior to May 1; and 1.5% additional each month thereafter. All towns first retain their share of taxes from collections and remit the balance to the County. The County is responsible for uncollected taxes of all subordinate jurisdictions, except for the three cities.

The County levies taxes for most school districts throughout the County and is responsible for uncollected school district taxes outside the cities of Buffalo, Lackawanna, and Tonawanda.

Additionally, at the option of villages within the County, the County may also be responsible for uncollected village taxes.

Constitutional Tax Limit

The amount that may be raised by the countywide tax levy on real estate in any fiscal year (for purposes other than debt service on County indebtedness) is limited to one and one-half per centum (subject to increase up to two per centum by resolution of the County Legislature) of the five-year average full valuation of taxable real estate of the County, per New York State statutes. On November 13, 1978, a local law became effective which limits the maximum amount of real estate taxes which can be levied other than for debt service to one per centum of such average full valuation of all the taxable real estate within the County.

The County constitutional tax limit (per New York State statutes) for the fiscal year ended December 31, 2010 is computed as follows (dollars in thousands):

Five-year average full valuation of taxable real estate (2006-2010)	$ 42,320,466
Tax limit @ 1.5%	$ 634,807
Statutory additions	46,404
Total taxing power	681,211
Total levy	(243,283)
Tax margin	$ 437,928

VI - REVENUE ACCRUALS

All major revenues of the County are considered "susceptible to accrual" based on the 60 day rule under the modified accrual basis. These include property tax, sales tax, state and federal aid, and various grant program revenues.

Major revenues accrued by the County in the various governmental fund types at December 31, 2010 include sales and use taxes in excess of $46,218,545; state and federal assistance for social services of $103,642,462; and other state and federal aid (including grants) approximating $91,701,131.

VII - RECEIVABLES

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

Receivables - Governmental Funds	General Fund	ECFSA	Other Governmental Funds	Total
Real property taxes, interest, penalties and liens	$ 78,365	$ -	$ 10,687	$ 89,052
Sales and use tax	-	46,219	-	46,219
Federal and state assistance for social services programs	103,642	-	-	103,642
Other federal and state aid	61,123	1,750	28,828	91,701
Loan	1,402	-	-	1,402
Other	11,813	-	33,057	44,870
Gross receivables	256,345	47,969	72,572	376,886
Less: allowances for uncollectibles	11,619	-	9,335	20,954
Total receivables	$ 244,726	$ 47,969	$ 63,237	$ 355,932

The only Governmental Fund receivables not expected to be collected within one year are $300 in loan receivables from the Zoological Society of Buffalo, that are discussed in Note I (M).

Receivables - Proprietary Funds	College 8/31/10	Utilities Aggregation Fund	Total
Accounts receivable	$ 4,800	$ 932	$ 5,732
Other	6,457	1,347	7,804
Gross receivables	11,257	2,279	13,536
Less: allowances for uncollectibles	3,876	-	3,876
Total receivables	$ 7,381	$ 2,279	$ 9,660

All Proprietary Fund receivables are expected to be collected within one year.

VIII - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows (dollars in thousands):

A. Primary Government

1. Governmental Activities

	Balance 1/1/10	Increases	Decreases	Balance 12/31/10
Capital assets, not being depreciated:				
Land	$ 30,353	$ 62	$ -	$ 30,415
Construction in progress	45,762	54,545	(20,028)	80,279
Total capital assets, not being depreciated	76,115	54,607	(20,028)	110,694
Capital assets, being depreciated:				
Buildings and improvements	506,734	15,665	-	522,399
Transportation network	461,500	10,719	-	472,219
Sewer network	255,227	6,351	-	261,578
Improvements other than buildings	25,926	1,061	-	26,987
Machinery and equipment	110,067	7,206	(2,424)	114,849
Total capital assets, being depreciated	1,359,454	41,002	(2,424)	1,398,032
Less accumulated depreciation for:				
Buildings and improvements	(254,279)	(15,489)	-	(269,768)
Transportation network	(233,922)	(19,934)	-	(253,856)
Sewer network	(76,981)	(4,082)	-	(81,063)
Improvements other than buildings	(10,443)	(1,310)	-	(11,753)
Machinery and equipment	(69,576)	(9,912)	2,233	(77,255)
Total accumulated depreciation	(645,201)	(50,727)	2,233	(693,695)
Total capital assets, being depreciated, net	714,253	(9,725)	(191)	704,337
Governmental activities capital assets, net	$ 790,368	$ 44,882	$ (20,219)	$ 815,031

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

Governmental activities:	
General government	$ 14,680
Public safety	7,047
Health	432
Transportation	20,800
Economic assistance and opportunity	138
Culture and recreation	1,250
Education	1,632
Home and community service	4,748
Total governmental activities depreciation expense	$ 50,727

2. Business-Type Activities*

	Balance 9/1/09	Increases	Decreases	Balance 8/31/10
Capital assets, not being depreciated:				
Construction in progress	$ 931	$ 2,113	$ (1,793)	$ 1,251
Capital assets, being depreciated:				
Building improvements	7,373	1,793	-	9,166
Land improvements	64	-	-	64
Equipment	21,727	1,042	(207)	22,562
Library collections	2,588	221	(260)	2,549
Total capital assets, being depreciated	31,752	3,056	(467)	34,341
Less accumulated depreciation for:				
Building improvements	(522)	(412)	-	(934)
Land improvements	(14)	(3)	-	(17)
Equipment	(18,223)	(908)	204	(18,927)
Library collections	(1,296)	(244)	247	(1,293)
Total accumulated depreciation	(20,055)	(1,567)	451	(21,171)
Total capital assets, being depreciated, net	11,697	1,489	(16)	13,170
College capital assets, net	$ 12,628	$ 3,602	$ (1,809)	$ 14,421

* The College (August 31, 2010)

Depreciation expense for the College was $1,566,891 for the year ended August 31, 2010.

B. Component Units

1. Library

	Balance 1/1/10	Increases	Decreases	Balance 12/31/10
Capital assets, not being depreciated:				
Rare book collection	$ 11,036	$ 58	$ -	$ 11,094
Capital assets, being depreciated:				
Machinery, equipment and library materials	60,271	3,589	(3,395)	60,465
Less accumulated depreciation for:				
Machinery, equipment and library materials	(53,550)	(3,188)	3,096	(53,642)
Total capital assets, being depreciated, net	6,721	401	(299)	6,823
Library component unit capital assets, net	$ 17,757	$ 459	$ (299)	$ 17,917

Depreciation expense for the Library was $3,187,596 for the year ended December 31, 2010.

2. ECMCC

	Balance 1/1/10	Increases	Decreases	Balance 12/31/10
Capital assets, not being depreciated:				
Construction in progress	$ 1,216	$ 11,968	$ -	$ 13,184
Capital assets, being depreciated:				
Land improvements	2,888	-	(1,890)	998
Building	221,228	10,128	(5,118)	226,238
Fixed equipment	3,516	5	(1,412)	2,109
Major moveable equipment	147,949	10,283	(58,679)	99,553
Total capital assets - being depreciated	375,581	20,416	(67,099)	328,898
Less accumulated depreciation	(298,790)	(14,010)	66,449	(246,351)
Total capital assets, being depreciated,net	76,791	6,406	(650)	82,547
Total ECMCC component unit capital assets	$ 78,007	$ 18,374	$ (650)	$ 95,731

Depreciation expense for ECMCC was $14,010,000 for the year ended December 31, 2010.

IX – PAYABLES

Payables at year-end of the County's major individual funds and non-major funds in the aggregate are as follows (dollars in thousands):

Governmental Funds	General Fund	ECFSA General	Other Governmental Funds	Total
Accounts payable	$ 26,741	$ 8	$ 14,016	$ 40,765
Other governments	22,684	-	908	23,592
Health and social service programs and agencies	28,044	-	1,228	29,272
Retained percentages	9	-	1,902	1,911
Salaries & fringes	9,527	-	1,370	10,897
Other	2,479	28	4,149	6,656
Total payables	$ 89,484	$ 36	$ 23,573	$ 113,093

Proprietary Funds	College 8/31/10	Utility Aggregation Fund	Total
Accounts payable	$ 1,422	$ 1,804	$ 3,226
Health and social service programs and agencies	-	-	-
Fringes benefits payable	6,672	-	6,672
Other	4,869	1,075	5,944
Total payables	$ 12,963	$ 2,879	$ 15,842

X – RETIREMENT PLANS

Background

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

A. New York State and Local Employees' Retirement System

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

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

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

	Contribution Amount		
Year	Primary Government-ERS	Library Component Unit - ERS	ECMCC Component Unit - ERS
2010	$ 27,705,762	$ 1,345,141	$ 16,000,000
2009	20,340,675	999,436	10,100,000
2008	25,385,491	1,346,621	10,300,000

The County's contributions made to the ERS were equal to 100% of the contributions required for each year. The annual payment is due on February 1 of the subsequent year.

B. Teachers' Insurance and Annuity Association - College Retirement Equities Fund

TIAA-CREF is a defined contribution annuity plan that is an optional retirement program ("ORP") authorized by the trustees of the State University of New York. TIAA/CREF provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. TIAA/CREF is contributory for employees who joined after July 27, 1976, who contribute 3 percent of their salary. For employees enrolled after June 30, 1992, the College contributes 8% of salary for the first seven years of employment and 10% of salary thereafter. For employees enrolled between July 27, 1976 and June 30, 1992, the College contributes 9% of the first $16,500 in salary and 12% thereafter. Employee contributions are deducted from their salaries and remitted on a current basis to TIAA/CREF.

Contributions made by the College and its employees in the 2010 fiscal year were $2,462,766 and $202,113, respectively. The total unpaid balance of this retirement liability at the end of the College's fiscal year was $92,317.

C. New York State Teachers' Retirement System

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

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

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

Year	College TRS
2010	$ 1,020,091
2009	1,118,358
2008	1,264,363

Employer contributions made to the TRS were equal to 100% of the contributions required for each year. The 2010 and 2009 amounts are the employer portion only, shown to reflect the change in focus of the disclosure to that of the College's contributions. The 2008 amount included both the employer and employee contributions.

The total unpaid employer balance of the TRS retirement liabilities at the end of the College's fiscal year was $1,036,818.

D. Summary of Retirement Plan Liabilities (dollars in thousands):

Retirement Plan/ Description	Business-type Activities*
ERS	
Regular	$ 1,079
Total	1,079
TRS	
Regular	1,037
Total	1,037
TIAA-CREF	
Regular	92
Total Primary Government	$ 2,208

* The College (August 31, 2010)

The County has recorded the above retirement liabilities as a component of long-term liabilities on the statement of net assets. In addition, retirement liabilities have been recorded as accrued liabilities by the ECMCC Component Unit in the amount of $16,000,000.

XI – CONSTRUCTION COMMITMENTS

The County has a number of active construction projects at December 31, 2010. The amounts spent to date and remaining commitments (encumbrances) presented by major project groupings are as follows (dollars in thousands):

Projects	Spent-to-date	Remaining Commitments
General government buildings, equipment and improvements	$ 18,286	$ 11,365
Highways, roads, bridges and equipment	27,911	8,763
Sewers, facilities equipment and improvements	17,608	4,988
Special capital projects	820	780
ECMC capital projects	5,608	485 *
Total	$ 70,233	$ 26,381

* The County has additional future capital commitments related to the ECMCC Sale Agreement, as amended, totaling approximately $3,651,000 at December 31, 2010. Of this amount, $1,010,000 is reflected in the government-wide financial statements only as a due to component unit.

XII - LONG-TERM LIABILITIES

A. Bonded Indebtedness

Bonded indebtedness is reported in the government-wide financial statements. The following is a summary of bond transactions of the County for the year ended December 31, 2010 (dollars in thousands):

Purpose*	Issue	Maturity	Interest Rate	Balance 1/1/10	Additions	Reductions	Balance 12/31/10	Due One Year
Capital	1992	2012	4.25-7.65	$ 2,205	$ -	$ 735	$ 1,470	$ 735
Capital	1993	2013	3.30-5.25	245	-	245	-	-
Capital	1993	2013	Zero Coupon	1,037	-	366	671	321
Capital	1996	2015	0.00-0.00	450	-	72	378	73
Capital	1997	2017	3.75-5.35	300	-	35	265	35
Capital	1997	2012	4.50-5.50	2,970	-	990	1,980	990
Capital	1998	2017	3.70-5.15	305	-	35	270	35
Capital	1998	2013	4.25-5.00	3,240	-	3,240	-	-
Capital	1999	2018	3.48-5.42	130	-	130	-	-
Capital	1999	2018	0.00-0.00	55	-	6	49	6
Capital	1999	2019	5.125-6.00	1,595	-	1,595	-	-
Capital	2000	2018	3.80-5.92	125	-	10	115	10
Capital	2000	2012	5.25-6.00	3,723	-	3,723	-	-
Capital	2000	2020	5.25-5.70	390	-	390	-	-
Capital	2001	2031	2.619-5.314	1,665	-	55	1,610	55
Capital	2001	2031	0.00-0.00	3,775	-	148	3,627	150
Capital	2001	2020	2.30-5.00	18,000	-	16,180	1,820	1,820
Capital	2001	2021	2.30-5.00	570	-	520	50	50
Capital	2002	2031	1.362-5.082	1,085	-	45	1,040	45
Capital	2002	2024	2.521-6.181	3,755	-	195	3,560	205
Capital	2002	2031	1.333-5.323	830	-	30	800	30
Capital	2002	2017	3.00-5.00	38,410	-	29,730	8,680	4,255
Capital	2002	2022	3.00-5.00	920	-	810	110	55
Capital	2003	2032	1.031-4.901	1,095	-	35	1,060	35
Capital	2003	2029	2.549-6.259	12,500	-	570	11,930	580
Capital	2003	2032	0.00-0.00	379	-	16	363	16
Capital	2003	2020	4.00-5.25	60,010	-	46,144	13,866	4,407
Capital	2003	2023	2.00-4.75	1,910	-	105	1,805	110
Capital	2003	2032	0.790-4.612	1,030	-	35	995	35
Capital	2004	2015	2.50-5.25	11,915	-	1,765	10,150	1,840
Capital	2004	2033	1.02-4.63	945	-	30	915	30
Subtotals carried forward				175,564	-	107,985	67,579	15,923

(Continued)

*Capital = Capital acquisition and construction

Purpose*	Issue	Maturity	Interest Rate	Balance 1/1/10	Additions	Reductions	Balance 12/31/10	Due Within One Year
Subtotals brought forward				$ 175,564	$ -	$ 107,985	$ 67,579	$ 15,923
Capital	2004	2024	3.25-5.25	56,330	-	5,025	51,305	5,270
Capital	2005	2034	1.56-4.57	2,975	-	90	2,885	90
Capital	2005	2033	2.06-4.13	2,235	-	70	2,165	70
Capital	2005	2020	4.45-5.00	52,500	-	3,700	48,800	3,880
Capital	2005	2035	3.50-5.00	11,295	-	240	11,055	250
Capital	2005	2012	5.50	12,230	-	3,860	8,370	4,075
Refunding	2005	2029	3.50-4.50	47,995	-	3,585	44,410	3,320
Tobacco refunding	2005	varies***	varies***	304,725	-	2,875	301,850	-
Tobacco settlement	2006	varies***	varies***	17,695	-	-	17,695	-
Capital	2006	2035	0.00-0.00	1,805	-	70	1,735	70
Capital	2006	2017	3.50-4.00	10,950	-	1,195	9,755	1,240
Capital	2006	2036	3.50-4.25	4,115	-	90	4,025	90
ECMCC settlement	2006	2011	4.93-4.99	17,215	-	8,400	8,815	8,815
Capital	2007	2036	3.63-4.79	4,815	-	130	4,685	135
Capital	2010	2023	2.00-4.99	-	157,995	-	157,995	5,640
Capital	2010	2039	0.290-4.60	-	5,794	205	5,589	129
Refunding	2010	2020	3.865-21.455	-	42,175	10	42,165	110
Refunding	2010	2022	2.001-5.00	-	46,365	520	45,845	2,255
Refunding	2010	2018	0.95-3.13	-	120	-	120	15
				722,444	252,449	138,050	836,843	51,377
Less bonds issued by the County to ECFSA (mirror bonds):								
	2010	2023	2.00-4.99	-	(157,995)	-	(157,995)	(5,640)
	2010	2020	3.865-21.455	-	(42,175)	(10)	(42,165)	(110)
	2010	2022	2.001-5.00	-	(46,365)	(520)	(45,845)	(2,255)
Total mirror bonds				-	(246,535)	(530)	(246,005)	(8,005)
Net governmental activities general obligation bonds issued by County of Erie and ETASC				722,444	5,914	137,520	590,838	43,372
Governmental activities general obligation bonds issued by ECFSA:								
	2010	2023	2.0-5.0	-	157,995	-	157,995	5,640
	2010	2022	2.0-5.0	-	46,365	520	45,845	2,255
	2010	2020	2.25-5.24	-	42,175	-	42,175	120
Total bonds issued by ECFSA				-	246,535	520	246,015	8,015
Total governmental activities general obligation bonds				722,444	252,449	138,040	836,853	$ 51,387
Discount on zero coupon bonds				(91) **	44	-	(47) **	
Discount on ETASC bonds				(11,442)	-	(67)	(11,375)	
Premium on bond issuance				16,950	-	7,066	9,884	
Premium on bond issuance-ECFSA				-	27,301	2,440	24,861	
Deferred amount on refunding				(1,636)	(4,083)	(181)	(5,538)	
Deferred amount on refunding-ETASC				(22,615)	-	(763)	(21,852)	
Bonds payable for financial statement purposes				$ 703,610	$ 275,711	$ 146,535	$ 832,786	

(Concluded)

*Capital = Capital acquisition and construction

**** Amount of unamortized discount on zero coupon bonds at issue date was $3,347. Of this amount, $3,256 and $44 have been amortized in the prior years and the current year, respectively.**
****Refer to discussion within Note XII(B) regarding outstanding ETASC bonds payable.**

B. Erie Tobacco Asset Securitization Corporation (a Blended Component Unit)

In 2000, ETASC issued $246,325,000 of Tobacco Settlement Asset Backed Bonds, Series 2000 pursuant to an indenture dated as of September 1, 2000 (the "Indenture"). The $246,325,000 bond issuance was comprised of $196,985,000 Tobacco Settlement Asset Backed Bonds Series 2000A and $49,340,000 Tobacco Settlement Asset Backed Bonds Series 2000B. The net proceeds of the Series 2000 Bonds were used to purchase from the County all of the County's right, title and interest to Tobacco Settlement Revenues ("TSR") to which the County would otherwise be entitled under the Master Settlement Agreement ("MSA") and Consent Decree and Final Judgment (the "Decree").

On August 15, 2005, ETASC issued $318,834,680 in Tobacco Settlement Asset-Backed Bonds with interest rates ranging from 5.0% to 6.75% to advance refund $239,060,000 of outstanding Series 2000 Tobacco Settlement Asset-Backed bonds bearing interest rates ranging from 5.0% to 6.5% originally issued in 2000. The net proceeds amounted to $305,330,026 after original issuance discount and payment of $13,504,654 for underwriting fees, insurance, and other issuance costs, of which $267,037,311 was used to fund an irrevocable trust to defease the remaining original bonds. This transaction enabled the ETASC to release $55,231,709 in previously restricted funds for debt service and trapping events to the County.

In connection with this bond issuance, ETASC entered into a forward purchase agreement and an effective swap of variable market rate returns with a fixed rate return that will expire by its terms on the final maturity of the asset-backed bonds on June 1, 2055. ETASC entered into this forward purchase agreement to facilitate investment of the monies in the Debt Service Reserve Fund while the 2005 ETASC bonds are outstanding.

As discussed in Note I (N), ETASC has evaluated the forward purchase agreement using the consistent critical terms method and deemed it to be effective. As of December 31, 2010, the notional amount of the agreement totals $19,218,750, the fair value is $1,108,170, and net cash flows during the year totaled $678,430.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $25,953,936. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2039. The refunding increases the total debt service over the next 50 years by $121,875,200 resulting in an economic loss of approximately $31,392,350 at net present value.

On September 15, 2005, ETASC entered into an agreement with the bondholders to replace the government securities in the irrevocable trust with government agency securities. This transaction generated a savings of $2,802,806. Of this, $1,331,893 was transferred to the County and the remainder less costs of sale was paid to the bondholders for their concessions.

On January 5, 2006, ETASC issued $17,694,720 of tobacco settlement asset-backed bonds, Series 2006A with an interest rate of 7.65%. ETASC entered into a purchase and sale agreement with the County on January 1, 2006, in which ETASC purchased the County's sole undivided beneficial interest in and to the trust established by ETASC pursuant to the Declaration and Agreement of Trust dated September 1, 2000 between ETASC and the Wilmington Trust Company ("2000 Residential Trust"), in its capacity as trustee, including the County's right to receive residual tobacco settlement revenues payable to the County, as sole beneficiary of the 2000 Residential Trust. The net proceeds of $15,638,465 was transferred to the County's General Fund.

The payment of the Series 2005 and Series 2006 Bonds is dependent on the receipt of TSRs. The amount of TSRs actually collected is dependent on many factors including cigarette consumption and the continued operations of the participating cigarette manufacturers in the MSA. Such bonds are secured by and payable solely from TSRs and investment earnings pledged under the Indenture and amounts established and held in accordance with the Indenture. ETASC has no financial assets other than the collections and reserves and amounts held in the other funds and accounts established under the Indenture.

ETASC has covenanted to apply 100% of all surplus revenues (defined as revenues which are in excess of Indenture requirements for the funding of operating expenses and deposits in the Debt Service account maintained for the funding of interest, principal and other items) to the special mandatory par redemption ("Turbo Redemptions") of Series 2005 Bonds in order of their maturity dates, beginning June 1, 2006.

Interest on the Series 2005A and E Bonds are payable each June 1 and December 1. Interest on the Series B, C, and D bonds as well as the Series 2006 Bonds accrue throughout the life of the bonds but are payable at redemption. Series 2005B, C, and D Bonds are zero-coupon bonds and are subject to redemption at the option of ETASC beginning in years after 2016. The Series 2006A bonds may be redeemed after May 31, 2017.

Details of ETASC's long-term debt are as follows:

Issue Amount	Rate	$318,834,680 Term Bond Description	Projected Final Turbo Redemption Date
$ 30,330,000	5.000%	Series 2005A Bonds Due June 1, 2031 Semi-annual interest only payments through maturity, may be redeemed at the option of the ETASC at anytime in whole or in part after June 1, 2015	June 1, 2018
$ 74,685,000	5.000%	Series 2005A Bonds Due June 1, 2038 Semi-annual interest only payments through maturity, may be redeemed at the option of the ETASC at anytime in whole or in part after June 1, 2015	June 1, 2022
$ 111,480,000	5.000%	Series 2005A Bonds Due June 1, 2045 Semi-annual interest only payments through maturity, may be redeemed at the option of the ETASC at anytime in whole or in part after June 1, 2015	June 1, 2027
$ 9,163,000	5.750%	Series 2005B Bonds Due June 1, 2047 Semi-annual interest accrued but not payable until maturity, subject to redemption at the option of ETASC anytime after June 1, 2015 at accreted values as follows: June 1, 2015 through May 31, 2016, 102%; June 1, 2016 through May 31, 2017, 101%; June 1, 2017 and thereafter, 100%	June 1, 2027
$ 12,565,080	6.250%	Series 2005C Bonds Due June 1, 2050 Semi-annual interest accrued but not payable until maturity, subject to redemption at the option of ETASC anytime after June 1, 2015 at accreted values as follows: June 1, 2015 through May 31, 2016, 102%; June 1, 2016 through May 31, 2017, 101%; June 1, 2017 and thereafter, 100%	June 1, 2029
$ 11,141,600	6.750%	Series 2005D Bonds Due June 1, 2055 Semi-annual interest accrued but not payable until maturity, subject to redemption at the option of ETASC anytime after June 1, 2015 at accreted values as follows: June 1, 2015 through May 31, 2016, 102%; June 1, 2016 through May 31, 2017, 101%; June 1, 2017 and thereafter, 100%	June 1, 2032
$ 69,470,000	6.000%	Series 2005E Taxable Bonds Due June 1, 2028 Semi-annual interest only payments through maturity, may be redeemed at the option of the ETASC at anytime in whole or in part after June 1, 2015	June 1, 2016

Issue Amount	Rate	Description	Projected Final Turbo Redemption Date
		$17,694,720 Term Bond	
$ 17,694,720	7.650%	Series 2006A Bonds Due June 1, 2060 Semi-annual interest accrued but not payable until maturity, subordinate to the Series 2005 A-E Bonds, subject to redemption at the option of the ETASC anytime after June 1, 2016 at accreted values as follows: June 1, 2016 through May 31, 2017, 102%; June 1, 2017 through May 31, 2018, 101%, thereafter 100%	June 1, 2037

Changes in bonds payable for the year ended December 31, 2010 was as follows (dollars in thousands):

Bonds payable at January 1, 2010	$ 322,420
Principal payments during 2010	(2,875)
Bonds payable at December 31, 2010	$ 319,545

The amount reflected in the statement of net assets for ETASC's bonds payable is net of unamortized discount on the sale of bonds of $11,374,631 and loss on defeasance of $21,851,736.

The ETASC's debt service requirements based upon the due dates excluding turbo redemption payments is as follows (dollars in thousands):

Twelve months ended December 31:	Principal	Interest
2011	$ -	$ 13,974
2012	-	13,974
2013	-	13,974
2014	-	13,974
2015	-	13,974
2016-2020	-	69,869
2021-2025	-	69,869
2026-2030	52,485	61,997
2031-2035	30,330	47,300
2036-2040	74,685	37,206
2041-2045	111,480	25,083
2046-2050	21,728	56,812
2051-2055	11,142	37,227
2056-2060	17,695	67,912
	$ 319,545	$ 543,145

C. Erie County Medical Center Corporation (a Discretely Presented Component Unit)

Long-term Debt—The following is a summary of long-term bonded debt at December 31, 2010:

Erie County—Guaranteed Senior Revenue Bonds, Series 2004 (interest of 4.1% to 5.7%)	$ 97,150,000

The Series 2004 bonds are secured by a pledge of the gross receipts of ECMCC and amounts on deposit in certain debt service reserve funds. To the extent that the debt service reserve funds fall below their requirements, the County has agreed to restore such accounts to their requirement.

Pursuant to a Guaranty Agreement, the County has unconditionally guaranteed to ECMCC the punctual payment of the principal, interest and redemption premium, if any, on the Series 2004 Bonds, as the same shall become due and payable, and has pledged the faith and credit of the County for the performance of such guaranty. A municipal bond insurance policy has been purchased by ECMCC to guarantee all debt service payments in case of default by ECMCC and the County.

The Series 2004 Bonds require ECMCC to make monthly payments to certain debt service accounts for the semiannual payment of interest and the annual payment of principal (principal payments commenced November 1, 2009).

D. Other Long-Term Liabilities

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

1. Due to Retirement Systems

As further explained in Note X, retirement liabilities of the primary government at December 31, 2010 for amounts due in 2010 and future years are reported in the government-wide financial statements as follows (dollars in thousands):

	Business-type Activities*
Retirement liability outstanding at year-end	$ 2,208
Less: Due within one year	2,013
Due in more than one year	$ 195

* The College (August 31, 2010)

The County and its component units have recorded the above retirement liabilities as long-term liabilities on the statement of net assets. In addition, retirement liabilities have been recorded as accrued liabilities as follows: ECMCC Component Unit of $16,000,000.

2. Compensated Absences

The value recorded in the government-wide financial statements at December 31, 2010, for governmental activities is $22,311,058 classified as a long-term liability in the accompanying financial statements, which includes $12,969,136 due within one year. The following governmental funds have been used in prior years to liquidate this liability:

General Fund, the Road, Sewer, Grants and Community Development Special Revenue Funds.

Compensated absences of $4,426,133 have been reported for business-type activities, classified as fringe benefits payable, on the fund financial statements, which includes $130,000 due within one year.

Compensated absences of the Library component unit totaling $1,695,760 have been reported as a long-term liability, which includes $903,094 due within one year. Compensated absences of the ECMCC component unit totaling $9,000,000 have been reported as an accrued liability.

3. Judgments and Claims

As further explained in Note XV, the County is self-insured. Liabilities are established for workers' compensation, general and malpractice claims in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. Estimated long-term contingent loss liabilities of governmental fund types total $57,728,125 and have been reported as long-term liabilities in the government-wide financial statements.

Also, as further explained in Notes XII (E) (4) and XV, ECMCC is self-insured and has recorded approximately $17,600,000 and $18,400,000 for the long-term portions of medical malpractice and worker's compensation related exposures, respectively.

4. Other Post-Employment Benefits (OPEB) – Health Insurance

In applying the requirements of GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, (adopted during the year ended December 31, 2007), the County recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, and commenced with the 2007 liability.

Plan Description - The County provides continuation of medical insurance coverage to employees if they have been continuously employed by the County for the equivalent of at least five years at the time of retirement. The obligation of the County to contribute to the cost of these benefits has been established pursuant to legislative resolution and various collective bargaining agreements. The retiree and his or her beneficiaries receive this coverage for the life of the retiree. Healthcare benefits for non-union employees are similar to those of union employees. The retiree's share of premium costs in most instances range from 0% to 50% depending on the employee group, length of service and year of retirement.

Funding Policy - The County currently pays for post-employment health care benefits on a pay-as-you-go basis, primarily from the General Fund (90%). The remainder is allocated to the Road, Sewer, Grants and Community Development Special Revenue Funds. These financial statements assume that pay-as-you-go funding will continue.

Annual Other Post-employment Benefit Cost - For the fiscal year ended December 31, 2010, the County's annual OPEB cost (expense) of $90,048,375 is equal to the Annual Required Contribution (ARC), which is $92,755,657 minus certain adjustments which totaled $2,707,282. Those adjustments were: interest on the net OPEB obligation and adjustment to the ARC. Considering the annual expense as well as payments for current health insurance premiums, which totaled $24,653,400 for retirees and their beneficiaries, the result was an increase in the net OPEB obligation of $65,394,975 for the year ended December 31, 2010.

Annual OPEB Cost and Net OPEB Obligation (dollars in thousands)

	Governmental Activities	Business-type Activities *	Primary Government Total
Actuarial accrued liability (AAL)	$ 805,062	$ 129,166 (1)	$ 934,228
Unfunded actuarial accrued liability (UAAL)	805,062	129,166 (1)	934,228
Normal cost at beginning of year	31,390	6,094	37,484
Amortization factor based on 30 years	17.40	17.40	
Annual covered payroll	226,383	53,426	279,809
UAAL as a percentage of covered payroll	355.62%	241.77%	333.88%

Level Dollar Amortization
Calculation of ARC under Projected Unit Credit Method

ARC normal cost with interest to end of year	$ 31,390	$ 6,094	$ 37,484
(UAAL) over 30 years with interest at end of year	45,371	9,901	55,272
Annual required contribution (ARC)	76,761	15,995	92,756
Interest on net OPEB obligation	5,610	1,256	6,866
Adjustment to ARC	(7,822)	(1,751)	(9,573)
Annual OPEB cost (expense)	74,549	15,500	90,049
Contribution for fiscal year ended December 31, 2010	(20,353)	(4,301)	(24,654)
Increase in net OPEB obligation	54,196	11,199	65,395
Net OPEB obligation December 31, 2009	130,466	29,209	159,675
Net OPEB obligation December 31, 2010	$ 184,662	$ 40,408	$ 225,070
Percent of annual OPEB cost contributed	27.30%	27.75%	27.38%

* The College (August 31, 2010)

(1) The College reported AAL and UAAL of $173,689 at August 31, 2010. Subsequent to the issuance of the College's financial statements, the AAL and UAAL were adjusted to $129,166 by the actuary as reflected herein.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended December 31, 2010 and the two proceeding years were as follows (dollars in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	$ 90,049	27.38%	$ 225,070
12/31/2009	77,366	27.84%	159,675
12/31/2008	65,085	31.58%	103,848

Funded Status and Funding Progress – The OPEB plan was unfunded, resulting in an unfunded accrued liability (UAAL) of $756,743,082 for governmental activities and $122,456,935 for business-type activities as of the most recent actuarial valuation date of January 1, 2010.

The County's schedule of funding progress is presented below (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	Ratio of UAAL to Covered Payroll
1/1/2010 . . .	$ -	$ 879,200	$ 879,200	- %	$ 279,809	314.21%
1/1/2008 . . .	-	748,175	748,175	- %	256,543	291.64%
1/1/2006 . . .	-	736,192	736,192	- %	243,332	302.55%

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. 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 multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) and on the historical pattern of cost sharing between the employer and plan members at 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. Included coverages are "experience-rated" and annual premiums for experience-rated coverages were used as a proxy for claims costs with age adjustments for pre-65 and post-65 participants. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis.

In the January 1, 2010 actuarial valuation, the liabilities were computed using the projected unit credit method. The actuarial assumptions utilized an inflation rate of 3.25% and a 4.30% investment rate of return. The latter rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. Because the County does not currently segregate funding for these benefits, the rate selected is the expected return on the County's assets. The valuation assumes healthcare cost trends as follows: pre-65 medical, 9.00%; post-65 non-Medicare Advantage ("MA") medical, 8.50%; post 65 MA, 30%; and prescription, 8.5%. Healthcare trends are reduced by decrements to reach a rate of 5.00% in 2018.

Medical Reimbursements - The County's Medicare Part D prescription drug subsidy, which reduces the cost of retiree healthcare premiums, is accrued as revenue only in the current year. Projected subsidies for future years cannot be recognized as a reduction to the actuarial accrued liability.

5. Bond Anticipation Notes

During the year ended December 31, 2010, the County issued bond anticipation notes in the amount of $4,766,947. The County refinanced $500,650 of the total amount outstanding of $5,756,182 on a long-term basis on May 5, 2011. Accordingly, that portion of the obligation will not require the use of available financial resources and has been reclassified as long-term.

E. Summary of Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2010 (dollars in thousands):

1. Governmental Activities

	Balance 1/1/10	Additions	Reductions	Balance 12/31/10	Due Within One Year
Bonds payable for financial statement purposes	$ 703,610	$ 275,711 (1)	$ 146,535	$ 832,786	$ 51,387
Due to New York State and Local Employees' Retirement System	9,570	42	9,612	-	-
Compensated absences	23,654	17,776	19,119	22,311	12,969
Judgments and claims	55,020	16,227	13,519	57,728	11,057
OPEB liability	130,466	82,371	28,175	184,662	-
Bond anticipation notes	3,232	501	3,232	501	- (2)
Governmental activities long-term liabilities	$ 925,552	$ 392,628	$ 220,192	$ 1,097,988	$ 75,413

(1) Includes $44 representing portion of zero coupon bonds discount amortized in current year; remaining unamortized discount is $47.
(2) Detailed amoritization schedules for the portion of BANs classified as long-term are not readily available.

2. Business-Type Activities*

	Balance 9/1/09	Additions	Reductions	Balance 8/31/10	Due Within One Year
Retirement liabilities	$ 2,067	$ 5,256	$ 5,076	$ 2,247 (1)	$ 2,028 (1)
Compensated absences and fringe benefits	4,201	396	171	4,426	130
OPEB liability	29,209	15,500	4,301	40,408	-
Business-type activities Long-term liabilities	$ 35,477	$ 21,152	$ 9,548	$ 47,081	$ 2,158

* The College (August 31, 2010)
(1) Includes $39 of Retirement Incentive Wages, of which $15 is due within one year.

3. Library Component Unit

	Balance 1/1/10	Additions	Reductions	Balance 12/31/10	Due Within One Year
Due to New York State and Local Employees' Retirement System	$ 518	$ 2	$ 520	$ -	$ -
Compensated absences	1,768	1,022	1,094	1,696	903
OPEB Liabilities	7,568	4,797	1,150	11,215	-
Library Component Unit Long-term liabilities	$ 9,854	$ 5,821	$ 2,764	$ 12,911	$ 903

4. ECMCC Component Unit

	Balance 1/1/10	Additions	Reductions	Balance 12/31/10	Due Within One Year
Bonds payable for financial statement purposes	$ 99,305	$ -	$ 2,155	$ 97,150	$ 2,250
Judgments and claims	27,150	24,350	15,500	36,000	-
OPEB liability	58,890	21,036	4,947	74,979	-
ECMCC Component Unit Long-term liabilities	$ 185,345	$ 45,386	$ 22,602	$ 208,129	$ 2,250

Additional judgments and claims liabilities for worker's compensation and medical malpractice have been recorded by ECMCC as accrued liabilities in the amounts of $5,500,000 and $1,000,000, respectively.

F. Maturity Schedules (dollars in thousands)

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

Year	Total	Serial Bonds	Retirement	Compensated Absences	Judgments and Claims	OPEB
2011	$ 77,571	$ 51,387	$ 2,028	$ 13,099	$ 11,057	$ -
2012	47,394	47,175	219	-	-	-
2013	42,582	42,582	-	-	-	-
2014	43,262	43,262	-	-	-	-
2015	44,155	44,155	-	-	-	-
2016-2020	192,051	192,051	-	-	-	-
2021-2025	72,593	72,593	-	-	-	-
2026-2030	66,080	66,080	-	-	-	-
2031-2035	39,223	39,223	-	-	-	-
2036-2040	76,300	76,300	-	-	-	-
2041-2045	111,480	111,480	-	-	-	-
2046-2050	21,728	21,728	-	-	-	-
2051-2055	11,142	11,142	-	-	-	-
2056-2060	17,695	17,695	-	-	-	-
Various (1)	285,379	-	-	13,638	46,671	225,070
	1,148,635	836,853	$ 2,247	$ 26,737	$ 57,728	$ 225,070
	(47)	(47)	Remaining unamortized discount on zero coupon bonds			
	(11,375)	(11,375)	Discount on ETASC bonds			
	9,884	9,884	Remaining unamortized premium of bond issuance			
	24,861	24,861	Remaining unamortized premium of bond issuance - ECFSA			
	(5,538)	(5,538)	Remaining unamortized deferred amount on refunding			
	(21,852)	(21,852)	Deferred amount on refunding ETASC			
	501 (2)	-	Bond anticipation notes ("BANS")			
	$ 1,145,069	$ 832,786	Long-term liabilities for financial statement purposes			

(1) Payment of compensated absences, judgments and claims, and OPEB liability are dependent upon many factors; therefore, timing of future payments is not readily determinable.
(2) Detail amoritization schedules for the portion of BANs classified as long-term are not readily available.

2. Annual Interest Payments Due on Serial Bonds

Year	Primary Gov't *	Component Unit ECMCC
2011	$ 37,233	$ 5,382
2012	34,896	5,279
2013	32,677	5,167
2014	30,739	5,046
2015	28,843	4,918
2016-2020	115,168	22,180
2021-2025	82,046	17,278
2026-2030	65,906	10,710
2031-2035	48,776	2,381
2036-2040	37,355	-
2041-2045	25,083	-
2046-2050	56,812	-
2051-2055	37,227	-
2056-2060	67,912	-
Totals . . .	$ 700,673	$ 78,341

*Excludes long-term BAN interest

3. Principal and Interest Payments Due on County Mirror Bonds to ECFSA

Year	Principal	Interest
2011	$ 8,005	$ 10,875
2012	14,060	10,556
2013	17,725	10,007
2014	22,670	9,129
2015	23,525	8,186
2016-2020	113,510	24,759
2021-2025	46,510	3,528
Totals . . .	$ 246,005	$ 77,040

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

Year	Total	Compensated Absences	OPEB
2011	$ 903	$ 903	$ -
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016-2017	-	-	-
Various . . . . . (1)	12,008	793	11,215
Totals . . .	$ 12,911	$ 1,696	$ 11,215

(1) Payment of compensated absences and OPEB liability is dependent on many factors; therefore, timing of future payments is not readily determinable.

5. Remaining Annual Maturities of Long-Term Liabilities - ECMCC Component Unit

Year	Total	Serial Bonds	Judgments and Claims	OPEB
2011	$ 2,250	$ 2,250	$ -	$ -
2012	2,350	2,350	-	-
2013	2,465	2,465	-	-
2014	2,585	2,585	-	-
2015	2,710	2,710	-	-
2016-2020	15,970	15,970	-	-
2021-2025	20,875	20,875	-	-
2026-2030	27,435	27,435	-	-
2031-2033	20,510	20,510	-	-
Various*	110,979	-	36,000	74,979
Totals . . .	$ 208,129	$ 97,150	$ 36,000	$ 74,979

*Payment of judgments and claims and OPEB liability is dependent on many factors; therefore, timing of future payments is not readily determinable.

G. Permanent Financing Requirements

Under New York State statutes, permanent bonding of general County improvements must take place within five years of the date of initial financing. Specially assessed improvements, (e.g., sewer), have no limitation as to their period of temporary financing, except that a three-year limitation exists where such financing has been obtained through the New York State Environmental Facilities Corporation. The County has permanently financed all significant indebtedness subject to this permanent financing statute.

H. Constitutional Debt Limit

The County constitutional debt limit at December 31, 2010 is computed as follows (dollars in thousands):

Five-year average full valuation of taxable real estate (2006-2010)	$ 42,320,466
Debt limit @ 7%	$ 2,962,433
Net indebtedness (after statutory exclusions)	545,873 *
Net debt contracting margin	$ 2,416,560
Percentage of debt contracting Power exhausted	18.43%

*Net indebtedness includes general obligation bonds of $614,447,692 (excludes ETASC bonds of $319,545,000 and includes ECMCC bond guaranty of $97,150,000) less sewer bonds for self-supporting sewer districts of $68,575,398.

I. Operating Leases

Operating lease obligations are primarily for rental of space. Lease expenditures/expenses for the year were approximately $6,358,000 for the primary government and $2,000,000 for the ECMCC component unit. The future minimum rental payments required for non-cancelable operating leases are (dollars in thousands):

Fiscal Year	Primary Government	ECMCC Component Unit
2011	$ 3,908	$ 941
2012	2,228	504
2013	1,343	346
2014	663	100
2015	320	-
Totals . . .	$ 8,462	$ 1,891

J. Defeasance

In June 2010, the County issued $88,540,000 in General Obligation Bonds to advance refund $89,985,000 of outstanding bonds. The net proceeds of $98,502,593 plus additional funds of $809,000 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. At December 31, 2010, $85,955,000 of the defeased debt was still outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,083,329. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2022. The County completed the advance refunding to reduce its total debt service payments over the next 12 years by $6,354,925 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $5,474,958.

XIII - SHORT-TERM DEBT

Short-term debt of the County may include revenue, tax, and/or bond anticipation notes. These notes are reported as a fund liability in the fund receiving the proceeds in accordance with the criteria set forth in Financial Accounting Standards Board ("FASB") Statement No. 6, *Classification of Short-Term Obligations Expected to be Refinanced,* because legal steps have not been taken to refinance the notes on a long-term basis.

The following is a summary of changes in the County's short-term debt for the year ended December 31, 2010 (dollars in thousands):

Description	Balance 1/1/10	Issued	Redeemed	Balance 12/31/10
Bond anticipation notes-ECFSA	$ 102,675	$ -	$ 102,675	$ -
Bond anticipation notes-Sewer	1,941	4,767	1,452	5,256
Revenue anticipation notes	-	20,000	-	20,000
Bond anticipation notes-ECFSA	64,805	44,815	64,805	44,815
Total	$ 169,421	$ 69,582	$ 168,932	$ 70,071

On August 12, 2010 The ECFSA issued a BAN totaling $44,815,000 with an interest rate of 1.25%. On the same date, the ECFSA paid the County $45,000,000 for the County's Revenue Anticipation Notes ("RAN"). The RAN matures on June 30, 2011 with an interest rate of 0.88%. The RAN is reported as an interfund payable of the County's general fund.

The County issued a RAN in the amount of $20,000,000 on December 14, 2010 with an interest rate of 0.79% that matured on April 14, 2011.

The RAN were issued in anticipation of the receipt of moneys that will become due during the current fiscal year from state and federal governments.

As discussed in Note XII (D) (5), the County issued non-interest bearing bond anticipation notes in the amount of $4,766,947 during the year ended December 31, 2010 that were purchased by the New York State Environmental Facilities Corporation. Of the balance of $5,756,182 at December 31, 2010, $500,650 was refinanced on a long-term basis on May 5, 2011, and therefore has been classified as long-term. The remaining balance totaling $5,255,532 has been deemed short-term since they will be repaid with available financial resources. The proceeds will be used to finance Sewer District capital projects.

XIV - INTERFUND TRANSACTIONS

A. Interfund Receivables and Payables

Interfund receivables and payables of the County at December 31, 2010, and the Community College at August 31, 2010, consisted of the following (dollars in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	ECFSA	$ 46,343
	Nonmajor Governmental Funds	31,093
	College	2,877
		80,313
ECFSA	General	45,000
Nonmajor Governmental Funds	ECFSA	1,317
	Nonmajor Governmental Funds	15,339
		16,656
Nonmajor Proprietary Fund	College	435
College	General Fund	558
Total receivables		142,962
Less: timing differences		(1,115)
Total payables		$ 141,847

Interfund receivables exceed interfund payables by $1,114,548. This difference represents interfund receivables in the amounts of $756,481 and $358,067 recorded by the County and the College respectively that are not reflected as interfund payables in the corresponding balance sheets because of the difference between the County and the College fiscal year end.

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

B. Due To/From Component Unit and Primary Government

Amounts due between the Component Units and the Primary Government at December 31, 2010, consisted of the following (dollars in thousands):

Receivable Entity	Payable Entity	Amount
Primary Government-General Fund	ECMCC Component Unit	$ 916
Primary Government-Nonmajor Proprietary Fund	ECMCC Component Unit	$ 1,490
Nonmajor Governmental Funds	ECMCC Component Unit	$ 1,120
ECMCC Component Unit	Primary Government-General Fund	$ 837
Library Component Unit	Primary Government - ECFSA General Fund	$ 411

An amount of $1,010,000 due from the primary government to ECMCC for future capital projects is long–term in nature and reported on the government-wide financial statements only. This balance is shown as a reconciling item on the Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets.

C. Interfund Transfers

Interfund transfers for the County for the year ended December 31, 2010, and the Community College for the year ended August 31, 2010, consisted of the following (dollars in thousands):

Transfers Out	Transfers In	Amount	Purpose - provide financial resources:
General Fund	Nonmajor Governmental Funds	$ 3,691	For the local share of grant programs
	Nonmajor Governmental Funds	55,201	For general debt service
	Nonmajor Governmental Funds	260	To support various capital projects
	Nonmajor Governmental Funds	11,978	For highway improvements
	College	15,629	To support College operations
	ECFSA	1,595	For short-term debt
	ETCC	1,051	To support ETCC operations
		89,405	
ECFSA	General Fund	370,630	For general operations from sales tax receipts
	General Fund	124	For general operations
	Nonmajor Governmental Funds	98,684	For general debt service
	Nonmajor Governmental Funds	1,333	For grant programs
	Nonmajor Governmental Funds	173,808	To support various capital projects
		644,579	
Nonmajor Governmental Funds	Nonmajor Governmental Funds	7,512	To support various capital projects
	Nonmajor Governmental Funds	4,644	For sewer debt service
	Nonmajor Governmental Funds	810	For general debt service
	ECFSA	4,610	For ECFSA debt service
	Nonmajor Governmental Funds	202	For ETASC debt service
	College	1,800	For movable equipment
		19,578	
Total Transfers		$ 753,562	

XV - CONTINGENCIES

A. Self-Insurance Programs

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

Loss contingency liabilities arising from operations of the College are recorded in accordance with GASB 10 by the County and are reported in full within governmental activities in the government-wide financial statements and in the General Fund when payment is due. They are only recognized as a College liability when invoiced from the County.

Claims and judgments are recognized as liabilities in the government-wide financial statements when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. These liabilities include an estimate of claims that have been incurred but not reported, and the effects of both specific, incremental claims adjustment expenditures/expenses and estimated recoveries on unsettled claims, if any. Claims and judgments reportable as part of the County's governmental type fund activities are recognized as expenditures and liabilities in the General Fund when payment is due.

The County Attorney is responsible for analyzing the County's claims and judgments and providing an opinion regarding the County's ability to cover its liabilities in the self-insurance programs. Based on this analysis, claims and judgments of $57,728,125 were recorded as Governmental Activities long-term liabilities at December 31, 2010.

In addition, the County has claims in the range of $1,470,000 to $7,025,000 for which there is a reasonable possibility of a future loss. No accrual has been recorded for such possible losses as of December 31, 2010. The County is a defendant in various other lawsuits. Although the outcome of these suits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the County's financial condition or results of operations.

The amounts and classifications of the claims and judgments noted above are based upon information and opinions from the County Attorney.

The changes since December 31, 2008 in the reported governmental fund liability for risk financing activities were as follows (dollars in thousands):

Year	Beginning of Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2009	$ 602	$ 1,017	$ 602	$ 1,017
2010	1,017	209	1,017	209

Erie County Medical Center Corporation

Losses from asserted and unasserted claims identified under ECMCC's incident reporting system are accrued based on estimates that incorporate ECMCC's past experience, the nature of each claim or incident, relevant trend factors, and estimated recoveries on unsettled claims. Approximately $18,600,000 has been accrued at December 31, 2010 discounted at 3.25% and included as liabilities in the accompanying statement of net assets. The County assumed ECMCC's malpractice liability for periods prior to 2004 and, under terms of a consent decree, has agreed to provide ECMCC indemnification for malpractice related exposures of up to $1,000,000 for each of 2006 and 2007. There are claims in the range of $185,000 to $1,000,000 for which there is a reasonable possibility of a future loss related to this consent decree. No accrual has been recorded by the County for such possible losses. Additionally, ECMCC purchased excess insurance for medical malpractice starting November 19, 2008. The policy provides $20,000,000 of coverage in excess of $5,000,000 of individual claims or $7,000,000 in aggregate claims. In addition, ECMCC has recorded liabilities of approximately $23,900,000 for worker's compensation related exposure, discounted at 2.5%.

B. Sales Tax Audits

The State of New York periodically audits its distribution of sales tax revenues to counties throughout the State. Subsequent revisions to the revenues recorded as of December 31, 2010, if any, would be reflected in the operating statement in the year that they are calculated.

C. Supplemental 1% Sales Tax

Through legislation approved by the County and the State of New York, first effective in March of 1985, the County extended an additional 1% sales and compensating use tax. An added requirement of this legislation commencing in 2007, is that the County is required to share $12,500,000 of this tax with other local municipalities. This tax generated approximately $136,815,644 (gross) for the year ended December 31, 2010. The enabling legislation allowing this additional tax expires November 30, 2011. Legislative approval by both New York State and the County is required for the continuation of this revenue source.

D. Supplemental 0.25% Sales Tax

Through legislation approved by the County and the State of New York, the County initiated an additional 0.25% sales and compensating use tax effective July 1, 2005. This tax generated approximately $33,992,093 for the year ended December 31, 2010. The enabling legislation allowing this additional tax expires November 30, 2011. Legislative approval by both New York State and the County is required for the continuation of this revenue source.

E. Supplemental 0.50% Sales Tax

The County Legislature approved a home rule message requesting approval of the New York State Legislature to raise the sales tax ½% to 8.75%. The New York State Legislature approved the Sales Tax Request in January 2006 and the County Legislature enacted the tax increase effective January 15, 2006. This tax generated approximately $67,984,185 for the year ended December 31, 2010. The enabling legislation allowing this additional tax was extended during the year and expires November 30, 2011.

F. Federal and State Aid

The County receives federal aid, state aid, or both for a portion of its mandated social services program expenditures (reported in the Economic Assistance and Opportunity category in the financial statements), such as Medicaid, Family Assistance and Safety Net. The County appropriates only the local share of state administered Medicaid expenditures. Conversely, the County appropriates total expenditures for Family Assistance and Safety Net programs, and budgets state and/or federal aid as revenue. Federal and state aid represents approximately 45% of 2011 County appropriations for social services programs.

The County also receives certain federal, state and private grants. These grants are used primarily to augment current operations, and for special demonstration projects and programs. Should funding of any such grant be stopped at any point, the County may assume the cost thereof in its operating budget or suspend the programs funded by such grant.

The Federal and State governments are not constitutionally obligated to maintain or continue current levels of federal and state aid to the County. Accordingly, no assurance can be given that present federal and state aid levels will be maintained in the future. Federal and state budgetary restrictions which may eliminate or substantially reduce federal or state aid could have a material adverse effect upon the County, requiring either a counterbalancing increase in revenues from other sources or a curtailment of non-mandated expenditures. Social Services and Medicaid expenditures are generally mandated by New York State law.

G. Other Contingent Liabilities

1. Financial Assistance Audits

As discussed above, the County receives significant financial assistance from numerous federal and state governmental agencies and third-party payors. The disbursement of moneys received under these programs generally requires compliance with terms and conditions specified in the related agreements and are subject to audit by the funding agencies or payors. Any disallowed expenditures resulting from such audits could become a liability of the governmental or proprietary funds. At December 31, 2010, ECMCC, a component unit of the County, has recorded $23,077,000 as an accrued liability for probable third-party payor settlements. The amount of any other expenditures that may be disallowed cannot be determined at this time, although ECMCC expects such amounts to be immaterial.

2. Pollution Remediation

In connection with the implementation of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the County has identified two pollution remediation sites that trigger the obligating event criteria. The County is aware that the New York State Department of Environmental Conservation has classified these sites as Class 2 meaning that remediation action is required due to a significant threat posed to the public health or environment. Although a loss is probable, it is not possible at this time to reasonably estimate the amount of any obligation for remediation that would be material to the County's financial statements because the extent of environmental impact, allocation among the potentially responsible parties, remediation alternatives (which could involve no or minimal efforts), and concurrence of the regulatory authorities have not yet advanced to the stage where a reasonable estimate of any loss that would be material to the enterprise can be made.

XVI – FUND BALANCE DESIGNATIONS

Designations are not required segregations, but are segregated for a specific purpose by the County at December 31, 2010 and were as follows (dollars in thousands):

	General	Other Governmental Funds	Total Governmental Funds
Designated for:			
Subsequent year's expenditures	$ 46,556	$ 7,145	$ 53,701
Total fund balance designations	$ 46,556	$ 7,145	$ 53,701

XVII – JOINT VENTURE

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

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

Corporation total undistributed net revenue decreased by $1,742,193 for the year ended December 31, 2010. The Corporation reported a net revenue available for distribution to participating municipalities of $1,600,470. In addition, cumulative net revenue retained for capital acquisitions was $23,210,596 at December 31, 2010. The unexpended balance of funds retained for capital acquisitions cannot exceed the lesser of 1% of total pari-mutuel wagering pools for the previous 12 months or the undepreciated value of the

Corporation's offices, facilities, and premises. Separate financial statements for this joint venture can be obtained from the Corporation's Comptroller at 8315 Park Road, Batavia, New York, 14020.

XVIII - SUBSEQUENT EVENTS

Bond Sales

The County issued $650,000 of general obligation serial bonds dates February 11, 2011 that were purchased by the New York State Environmental Facilities Corporation ("EFC"). The proceeds were used to refund $650,000 in bonds outstanding with EFC and will reduce the County's future interest obligation.

As discussed further in Notes XII (D) (5) and XIII, on May 5, 2011 the County issued $535,170 of general obligation serial bonds, in part to refinance bond anticipation notes outstanding at December 31, 2010 in the amount of $500,650 on a long-term basis.

Dissolution of ETCC

In July 2010 the ETCC Board of Directors adopted a series of resolutions that in part facilitate (1) the termination of the third-party servicing agreement effective September 1, 2010 and (2) ETCC's servicing of its own tax liens from September 1, 2010 until ETCC is completely dissolved on or before July 31, 2011. As part of the dissolution, all remaining assets of ETCC will be transferred to the County.

* * * * * *

REQUIRED SUPPLEMENTARY INFORMATION

The schedule of funding progress presents the results of OPEB valuations as of January 1, 2010, 2008, and 2006 and provides trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress (Unaudited)

Other Post-Employment Benefits (OPEB) – Health Insurance

(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (1) ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	Ratio of UAAL to Covered Payroll
1/1/2010	$ -	$ 879,200	$ 879,200	- %	$ 279,809	314.21%
1/1/2008	-	748,175	748,175	- %	256,543	291.64%
1/1/2006	-	736,192	736,192	- %	243,332	302.55%

Notes:
(1) Based on the Projected Unit Credit Actuarial Cost Method

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

These financial statements and schedules provide more detailed information than is presented in the basic financial statements.

Combining statements are presented for the non-major governmental funds.

Individual fund statements and schedules present the following:

- Comparisons of budgetary and actual data for certain Special Revenue Funds and the Debt Service Fund.
- Statement of Changes in Assets and Liabilities for the Agency Fund
- Fund financial statements for the discretely presented Library component unit.

Combining statements are presented for the discretely presented Other component units.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. These funds include the Road, Sewer, Downtown Mall, E-911, Emergency Response, Grants and Community Development Funds. In addition the Erie Tobacco Asset Securitization Corporation (ETASC) and Erie Tax Certificate Corporation (ETCC) General Funds are presented as nonmajor Special Revenue Funds.

- **Road Special Revenue Fund**
  Used to account for all revenues and expenditures related to the maintenance of County roads and bridges, snow removal, construction and reconstruction of County roads not required to be recorded in a Capital Projects Fund.

- **Sewer Special Revenue Fund**
  Used to account for the activities of the various sewer districts currently in operation within the County.

- **Downtown Mall Special Revenue Fund**
  Used to account for revenues raised through a special district charge levy and the subsequent expenditure of these monies for the operation and maintenance of a downtown pedestrian/transit mall.

- **E-911 Special Revenue Fund**
  Used to account for revenues raised through a telephone access line surcharge and the subsequent expenditure of these monies for the establishment and maintenance of an enhanced 911 emergency telephone system.

- **Emergency Response Special Revenue Fund**
  Used to account for revenues received from the Federal Emergency Management Agency and expenditures associated with the on-going clean up of major winter storm damage that occurred in October 2006.

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

- **ETASC (General Fund) Special Revenue Fund**
  Used to account for all financial resources associated with ETASC except for those required to be accounted for in another fund.

- **ETCC (General Fund) Special Revenue Fund**
  Used to account for the collection activities of a special purpose local development corporation that has acquired all of the County's rights, title and interest to certain outstanding real property tax liens.

- **Community Development Special Revenue Fund**
  Used to assist participating municipalities in the development of locally approved community or economic development activities that are eligible under federal program regulations.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for current payments of principal and interest on general obligation long-term debt, and for financial resources that have been accumulated to make future principal and interest payments on general long term indebtedness.

- **Debt Service Fund**
  Used to account for the accumulation of resources for, and for the payment of, general long-term bond principal, interest and related costs of the County.

- **ETASC Debt Service Fund**
  Used to account for the accumulation of resources for, and for the payment of, general long-term bond principal, interest and related costs of the ETASC.

- **ECFSA Debt Service Fund**
  Used to account for the accumulation of resources for, and for the payment of, general long-term bond principal, interest and related costs of the ECFSA.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- **General Government Buildings, Equipment and Improvements Fund**
  Used to account for capital projects administered by the Department of Public Works involving the acquisition, construction, or reconstruction of major or permanent facilities having a relatively long useful life and equipment purchased from the proceeds of long-term debt.

- **Highways, Roads, Bridges and Equipment Fund**
  Utilized to account for capital projects administered by the Department of Public Works for the construction or reconstruction of County roads and bridges and the acquisition of equipment not accounted for in the Road Fund.

- **Sewers, Facilities, Equipment and Improvements Fund**
  Used to account for capital projects relating to the construction and acquisition of sewer facilities and equipment by the operating sewer districts.

- **Tobacco Proceeds Fund**
  Used to account for the net proceeds from the County's securitization of its share of the 1998 Master Settlement Agreement with the tobacco industry that will be used to fund capital projects that otherwise would have been supported by operating funds or the issuance of bonds

- **Special Capital Projects Fund**
  Utilized to account for capital projects administered by departments other than Public Works that are primarily for the acquisition or construction of buildings, improvements and equipment.

- **Erie County Medical Center Corporation (ECMCC) Capital Projects Fund**
  Utilized to account for capital projects that are for the acquisition or construction of buildings, improvements and equipment for the Erie County Medical Center Corporation.

Combining Balance Sheet

Non-Major Governmental Funds

December 31, 2010

(dollars in thousands)

	Special Revenue					Special Revenue				
	Road	Sewer	Downtown Mall	E-911	Emergency Response	Grants	ETASC General	ETCC	Community Development	Total
ASSETS:										
Cash and cash equivalents	$ 897	$ 15,725	$ 7	$ 1,265	$ 1,197	$ -	$ 222	$ 1,252	$ -	**$ 20,565**
Investments	-	-	-	-	-	-			-	**-**
Receivables (net of allowances)										
Real property taxes, interest, penalties and liens	-	-	28	-	-	-	-	1,324	-	**1,352**
Other	1	14	-	337	-	2,965	-	-	27,574	**30,891**
Due from other funds	-	6,039	-	-	-	1,114	5	-	-	**7,158**
Due from component unit	7	-	-	-	-	-	-	-	-	**7**
Due from other governments	703	36	-	-	217	14,980	-	-	1,371	**17,307**
Prepaid items	270	2,047	-	90	-	310	44	-	25	**2,786**
Total assets	**$ 1,878**	**$ 23,861**	**$ 35**	**$ 1,692**	**$ 1,414**	**$ 19,369**	**$ 271**	**$ 2,576**	**$ 28,970**	**$ 80,066**
LIABILITIES:										
Accounts payable	$ 593	$ 436	$ -	$ 98	$ -	$ 2,193	$ 14	$ -	$ 978	**$ 4,312**
Accrued liabilities	434	754	35	14	-	1,983	-	1,102	42	**4,364**
Due to other funds	-	-	-	-	-	14,517	-	1,474	40	**16,031**
Due to other governments	-	-	-	-	-	10	-	-	-	**10**
Retained percentages payable	-	12	-	-	-	63	-	-	-	**75**
Unearned revenue	-	17	-	-	-	603	-	-	27,910	**28,530**
Deferred revenue	-	-	-	-	-	-	-	-	-	**-**
Short-term debt	-	-	-	-	-	-	-	-	-	**-**
Total liabilities	**1,027**	**1,219**	**35**	**112**	**-**	**19,369**	**14**	**2,576**	**28,970**	**53,322**
FUND BALANCES:										
Reserved for:										
Encumbrances	521	3,609	-	368	-	-	-	-	-	**4,498**
Debt service	-	-	-	-	-	-	-	-	-	**-**
Prepaid items	270	2,047	-	90	-	-	44	-	-	**2,451**
E-911 system costs	-	-	-	1,122	-	-	-	-	-	**1,122**
Unreserved, reported in:										
Special revenue funds										
Designated	-	6,476	-	-	-	-	-	-	-	**6,476**
Undesignated	60	10,510	-	-	1,414	-	213	-	-	**12,197**
Capital projects fund										
Designated	-	-	-	-	-	-	-	-	-	**-**
Undesignated (deficit)	-	-	-	-	-	-	-	-	-	**-**
Total fund balances	**851**	**22,642**	**-**	**1,580**	**1,414**		**257**	**-**	**-**	**26,744**
Total liabilities and fund balances	**$ 1,878**	**$ 23,861**	**$ 35**	**$ 1,692**	**$ 1,414**	**$ 19,369**	**$ 271**	**$ 2,576**	**$ 28,970**	**$ 80,066**

(Continued)

Combining Balance Sheet

Non-Major Governmental Funds

December 31, 2010

(dollars in thousands)

	Debt Service				Capital Projects	Capital Projects						
	Debt Service	ETASC Debt Service	ECFSA Debt Service	Total	General Government Buildings, Equipment and Improvements	Highways, Roads, Bridges and Equipment	Sewers, Facilities, Equipment and Improvements	Tobacco Proceeds	Special Capital Projects	ECMCC Capital Projects	Total	Total Non-Major Governmental Funds
ASSETS:												
Cash and cash equivalents	$ 1,957	$ -	$ 9,420	**$ 11,377**	$ 56,573	$ 30,597	$ 13,953	$ 16	$ 11,048	$ 3,369	**$ 115,556**	**$ 147,498**
Investments	-	20,006	-	**20,006**	-	-	-	200	-	-	**200**	**20,206**
Receivables (net of allowances)												
Real property taxes, interest, penalties and liens	-	-	-	**-**	-	-	-	-	-	-	**-**	**1,352**
Other	104	8	-	**112**	-	-	-	-	-	-	**-**	**31,003**
Due from other funds	9,296	-	-	**9,296**	202	-	-	-	-	-	**202**	**16,656**
Due from component unit	-	-	-	**-**	1,113	-	-	-	-	-	**1,113**	**1,120**
Due from other governments	265	-	-	**265**	2,320	10,973	17	-	-	-	**13,310**	**30,882**
Prepaid items	-	-	-	**-**	-	-	-	-	-	-	**-**	**2,786**
Total assets	**$ 11,622**	**$ 20,014**	**$ 9,420**	**$ 41,056**	**$ 60,208**	**$ 41,570**	**$ 13,970**	**$ 216**	**$ 11,048**	**$ 3,369**	**$ 130,381**	**$ 251,503**
LIABILITIES:												
Accounts payable	$ -	$ -	$ -	**$ -**	$ 3,684	$ 4,970	$ 998	$ -	$ 27	$ 25	**$ 9,704**	**$ 14,016**
Accrued liabilities	62	-	-	**62**	908	1,176	184	-	21	32	**2,321**	**6,747**
Due to other funds	3,236	42	9,296	**12,574**	1,652	9,898	6,038	-	237	2	**17,827**	**46,432**
Due to other governments	-	-	-	**-**	-	898	-	-	-	-	**898**	**908**
Retained percentages payable	-	-	-	**-**	1,212	-	582	-	-	33	**1,827**	**1,902**
Unearned revenue	-	-	-	**-**	-	72	-	-	-	-	**72**	**28,602**
Deferred revenue	-	8	-	**8**	-	-	-	-	-	-	**-**	**8**
Short-term debt	-	-	-	**-**	-	-	5,256	-	-	-	**5,256**	**5,256**
Total liabilities	**3,298**	**50**	**9,296**	**12,644**	**7,456**	**17,014**	**13,058**	**-**	**285**	**92**	**37,905**	**103,871**
FUND BALANCES:												
Reserved for:												
Encumbrances	-	-	-	**-**	11,365	8,763	4,988	-	780	485	**26,381**	**30,879**
Debt service	8,200	19,964	124	**28,288**	-	-	-	-	-	-	**-**	**28,288**
Prepaid items	-	-	-	**-**	-	-	-	-	-	-	**-**	**2,451**
E-911 system costs	-	-	-	**-**	-	-	-	-	-	-	**-**	**1,122**
Unreserved, reported in:												
Special revenue funds												
Designated	-	-	-	**-**	-	-	-	-	-	-	**-**	**6,476**
Undesignated	124	-	-	**124**	-	-	-	-	-	-	**-**	**12,321**
Capital projects fund												
Designated	-	-	-	**-**	-	-	-	46	-	623	**669**	**669**
Undesignated (deficit)	-	-	-	-	41,387	15,793	(4,076)	170	9,983	2,169	**65,426**	**65,426**
Total fund balances	**8,324**	**19,964**	**124**	**28,412**	**52,752**	**24,556**	**912**	**216**	**10,763**	**3,277**	**92,476**	**147,632**
Total liabilities and fund balances	**$ 11,622**	**$ 20,014**	**$ 9,420**	**$ 41,056**	**$ 60,208**	**$ 41,570**	**$ 13,970**	**$ 216**	**$ 11,048**	**$ 3,369**	**$ 130,381**	**$ 251,503**

(Concluded)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds
For the year ended December 31, 2010
(dollars in thousands)

	Special Revenue									
	Road	Sewer	Downtown Mall	E-911	Emergency Response	Grants	ETASC General	ETCC	Community Development	Total
REVENUES:										
Real property taxes and tax items	$ -	$ 32,592	$ 1,270	$ -	$ -	$ -	$ -	$ -	$ -	**$ 33,862**
Sales and use taxes	-	-	-	3,603	-	-	-	-	-	**3,603**
Transfer taxes	7,246	-	-	-	-	-	-	-	-	**7,246**
Intergovernmental	7,547	34	-	11	1,414	35,050	-	-	5,876	**49,932**
Interfund revenues	122	-	-	-	-	-	-	-	-	**122**
Departmental	126	8,128	-	25	-	2,119	-	-	679	**11,077**
Interest	-	142	-	-	-	-	-	-	-	**142**
Miscellaneous	12	605	-	-	-	752	6	-	-	**1,375**
Total revenues	**15,053**	**41,501**	**1,270**	**3,639**	**1,414**	**37,921**	**6**	**-**	**6,555**	**107,359**
EXPENDITURES:										
Current:										
General government support	-	-	1,270	-	-	5,647	133	1,051	-	**8,101**
Public safety	-	-	-	3,774	-	6,397	-	-	-	**10,171**
Health	-	-	-	-	-	10,905	-	-	-	**10,905**
Transportation	22,844	-	-	-	-	-	-	-	-	**22,844**
Economic assistance and opportunity	-	-	-	-	-	18,288	-	-	200	**18,488**
Culture and recreation	-	-	-	-	-	-	-	-	-	**-**
Education	-	-	-	-	-	90	-	-	-	**90**
Home and community service	-	34,114	-	-	-	1,619	-	-	6,366	**42,099**
Capital outlay	-	-	-	-	-	-	-	-	-	**-**
Debt service:										
Principal retirement	-	-	-	-	-	-	-	-	-	**-**
Interest and fiscal charges	-	27	-	-	-	-	-	-	-	**27**
Total expenditures	**22,844**	**34,141**	**1,270**	**3,774**	**-**	**42,946**	**133**	**1,051**	**6,566**	**112,725**
(Deficiency) excess of revenues over expenditures	**(7,791)**	**7,360**	**-**	**(135)**	**1,414**	**(5,025)**	**(127)**	**(1,051)**	**(11)**	**(5,366)**
OTHER FINANCING SOURCES (USES) :										
Issuance of general obligation debt	-	-	-	-	-	-	-	-	-	**-**
Premium on bond issuance	-	-	-	-	-	-	-	-	-	**-**
Issuance of refunding bonds	-	-	-	-	-	-	-	-	-	**-**
Payments to refunded bond escrow	-	-	-	-	-	-	-	-	-	**-**
Sale of property	-	-	-	-	-	-	-	-	11	**11**
Transfers in	11,978	-	-	-	-	5,025	202	1,051	-	**18,256**
Transfers out	(4,200)	(5,719)	-	-	-	-	-	-	-	**(9,919)**
Total other financing sources (uses)	**7,778**	**(5,719)**	**-**	**-**	**-**	**5,025**	**202**	**1,051**	**11**	**8,348**
Net change in fund balances	**(13)**	**1,641**	**-**	**(135)**	**1,414**	**-**	**75**	**-**	**-**	**2,982**
Fund balances (deficit) at beginning of year	**864**	**21,001**	**-**	**1,715**	**-**	**-**	**182**	**-**	**-**	**23,762**
Fund balances at end of year	**$ 851**	**$ 22,642**	**$ -**	**$ 1,580**	**$ 1,414**	**$ -**	**$ 257**	**$ -**	**$ -**	**$ 26,744**

(Continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds
For the year ended December 31, 2010
(dollars in thousands)

	Debt Service				Capital Projects							
	Debt Service	ETASC Debt Service	ECFSA Debt Service	Total	General Government Buildings, Equipment and Improvements	Highways, Roads, Bridges and Equipment	Sewers, Facilities, Equipment and Improvements	Tobacco Proceeds	Special Capital Projects	ECMCC Capital Projects	Total	Total Non-Major Governmental Funds
REVENUES:												
Real property taxes and tax items	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 33,862
Sales and use taxes	-	-	-	-	-	-	-	-	-	-	-	3,603
Transfer taxes		-	-	-							-	7,246
Intergovernmental	1,095	15,925	-	17,020	5,400	19,879	171	-	169	-	25,619	92,571
Interfund revenues	-	-	-	-	-	-	-	-	-	-	-	122
Departmental	-	-	-	-	81	200	7	-	-	-	288	11,365
Interest	1,242	86	-	1,328	-	-	51	-	-	-	51	1,521
Miscellaneous	-	-	-	-	1,112	-	-	1	-	-	1,113	2,488
Total revenues	2,337	16,011	-	18,348	6,593	20,079	229	1	169	-	27,071	152,778
EXPENDITURES:												
Current:												
General government support	121	-	-	121	-	-	-	-	-	-	-	8,222
Public safety	-	-	-	-	-	-	-	-	-	-	-	10,171
Health	-	-	-	-	-	-	-	-	-	-	-	10,905
Transportation	-	-	-	-	-	-	-	-	-	-	-	22,844
Economic assistance and opportunity	-	-	-	-	-	-	-	-	-	-	-	18,488
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-	-	90
Home and community service	-	-	-	-	-	-	-	-	-	-	-	42,099
Capital outlay	-	-	-	-	38,309	43,318	10,161	-	775	503	93,066	93,066
Debt service:												
Principal retirement	44,541	2,875	520	47,936	-	-	-	-	-	-	-	47,936
Interest and fiscal charges	16,646	13,382	5,494	35,522	-	-	-	-	-	-	-	35,549
Total expenditures	61,308	16,257	6,014	83,579	38,309	43,318	10,161	-	775	503	93,066	289,370
(Deficiency) excess of revenues over expenditures	(58,971)	(246)	(6,014)	(65,231)	(31,716)	(23,239)	(9,932)	1	(606)	(503)	(65,995)	(136,592)
OTHER FINANCING SOURCES (USES) :												
Issuance of general obligation debt	-	-	246,535	246,535	-	-	3,063	-	-	-	3,063	249,598
Premium on bond issuance	-	-	27,301	27,301	-	-	-	-	-	-	-	27,301
Issuance of refunding bonds	120	-	-	120	-	-	-	-	-	-	-	120
Payments to refunded bond escrow	(99,432)	-	-	(99,432)	-	-	-	-	-	-	-	(99,432)
Sale of property	-	-	-	-	-	-	-	-	-	-	-	11
Transfers in	159,311	-	4,610	163,921	86,352	69,782	5,623	-	19,850	-	181,607	363,784
Transfers out	(5,240)	(202)	(272,308)	(277,750)	(68)	(872)	(900)	(114)	(2,263)	-	(4,217)	(291,886)
Total other financing	54,759	(202)	6,138	60,695	86,284	68,910	7,786	(114)	17,587	-	180,453	249,496
Net change in fund balances	(4,212)	(448)	124	(4,536)	54,568	45,671	(2,146)	(113)	16,981	(503)	114,458	112,904
Fund balances (deficit) at beginning of year	12,536	20,412	-	32,948	(1,816)	(21,115)	3,058	329	(6,218)	3,780	(21,982)	34,728
Fund balances at end of year	$ 8,324	$ 19,964	$ 124	$ 28,412	$ 52,752	$ 24,556	$ 912	$ 216	$ 10,763	$ 3,277	$ 92,476	$ 147,632

(Concluded)

Road Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non-GAAP Basis of Accounting)
For the fiscal year ended December 31, 2010
(dollars in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
REVENUES:				
Transfer taxes	$ 9,250	$ 9,250	$ 7,246	$ (2,004)
Intergovernmental	7,200	7,200	7,547	347
Interfund revenue	80	80	122	42
Departmental	81	81	126	45
Miscellaneous	8	8	12	4
Total revenues	**16,619**	**16,619**	**15,053**	**(1,566)**
EXPENDITURES:				
Transportation	22,660	22,828	22,501	327
Total expenditures	**22,660**	**22,828**	**22,501**	**327**
Excess (deficiency) of revenues over expenditures	**(6,041)**	**(6,209)**	**(7,448)**	**(1,239)**
OTHER FINANCING SOURCES (USES):				
Proceeds of general obligation debt	-	-	-	-
Premium on bond issuance	-	-	-	-
Transfers in	10,445	10,445	11,978	1,533
Transfers in	-	-	-	-
Transfers out	(4,404)	(4,236)	(4,200)	36
Total other financing sources (uses)	**6,041**	**6,209**	**7,778**	**1,569**
Excess of revenues and other financing sources over expenditures and other financing uses	**$ -**	**$ -**	**$ 330**	**$ 330**

Sewer Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non-GAAP Basis of Accounting)
For the fiscal year ended December 31, 2010
(dollars in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
REVENUES:				
Real property taxes and tax items	$ 32,580	$ 32,580	$ 32,592	$ 12
Intergovernmental	-	-	34	34
Departmental	7,985	7,985	8,128	143
Interest	313	313	142	(171)
Miscellaneous	162	162	605	443
Total revenues	**41,040**	**41,040**	**41,501**	**461**
EXPENDITURES:				
Current:				
Home and community service	40,272	40,272	34,324	5,948
Debt Service:				
Interest and fiscal charges	-	27	27	-
Total expenditures	**40,272**	**40,299**	**34,351**	**5,948**
Excess (deficiency) of revenues over expenditures	**768**	**741**	**7,150**	**6,409**
OTHER FINANCING SOURCES (USES):				
Transfers out	(6,285)	(6,357)	(5,719)	638
Total other financing sources (uses)	**(6,285)**	**(6,357)**	**(5,719)**	**638**
Excess of revenues and other financing sources over expenditures and other financing uses	**$ (5,517)**	**$ (5,616)**	**$ 1,431**	**$ 7,047**

Downtown Mall Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual (Non-GAAP Basis of Accounting)
For the fiscal year ended December 31, 2010
(dollars in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
REVENUES:				
Real property taxes and tax items	$ -	$ 1,277	$ 1,270	$ (7)
Total revenues	**-**	**1,277**	**1,270**	**(7)**
EXPENDITURES:				
General government support	1,249	1,277	1,270	7
Total expenditures	**1,249**	**1,277**	**1,270**	**7**
Deficiency of revenues over expenditures	**$ (1,249)**	**$ -**	**$ -**	**$ -**

E-911 Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual (Non-GAAP Basis of Accounting)
For the fiscal year ended December 31, 2010
(dollars in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
REVENUES:				
Sales and use taxes	$ 3,588	$ 3,588	$ 3,603	$ 15
Intergovernmental	-	-	11	11
Departmental	-	-	25	25
Total revenues	**3,588**	**3,588**	**3,639**	**51**
EXPENDITURES:				
Public safety	3,770	3,867	3,714	153
Total expenditures	**3,770**	**3,867**	**3,714**	**153**
Excess (deficiency) of revenues over expenditures	**$ (182)**	**$ (279)**	**$ (75)**	**$ 204**

Emergency Response Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non-GAAP Basis of Accounting)
For the fiscal year ended December 31, 2010
(dollars in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
REVENUES:				
Intergovernmental	$ -	$ 1,414	$ 1,414	$ -
Total revenues	**-**	**1,414**	**1,414**	**-**
EXPENDITURES:				
Home and community service	-	1,414	-	1,414
Total expenditures	**-**	**1,414**	**-**	**1,414**
Excess of revenues over expenditures	**$ -**	**$ -**	**$ 1,414**	**$ 1,414**

Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non-GAAP Basis of Accounting)
For the fiscal year ended December 31, 2010
(dollars in thousands)

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget- Positive (Negative)
REVENUES:				
Intergovernmental	$ 1,730	$ 1,730	$ 1,095	$ (635)
Interest	1,405	1,405	1,242	(163)
Miscellaneous	-	-	-	-
Total revenues	**3,135**	**3,135**	**2,337**	**(798)**
EXPENDITURES:				
Current:				
General government support	-	121	121	-
Debt Service:				
Principal retirement	44,786	44,653	44,541	112
Interest and fiscal charges	19,287	16,806	16,646	160
Total expenditures	**64,073**	**61,580**	**61,308**	**272**
Deficiency of revenues over expenditures	**(60,938)**	**(58,445)**	**(58,971)**	**(526)**
OTHER FINANCING SOURCES (USES):				
Proceeds of refunding bonds	-	120	120	-
Payments to refund bond escrow	-	(99,432)	(99,432)	-
Transfers In	56,570	157,999	159,311	1,312
Transfers out	-	(5,240)	(5,240)	-
Total other financing sources (uses)	**56,570**	**53,447**	**54,759**	**1,312**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	**$ (4,368)**	**$ (4,998)**	**$ (4,212)**	**$ 786**

AGENCY FUND

The Agency Fund is used to account for money and property received and held in the capacity of custodian or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations.

Statement of Changes in Assets and Liabilities
Agency Fund

For the year ended December 31, 2010

(dollars in thousands)

	Balance 1/1/2010	Additions	Deductions	Balance 12/31/2010
ASSETS:				
Cash and cash equivalents	$ 30,131	$ 457,982	$ 422,981	$ 65,132
Receivables:				
Other receivables	945	10,807	11,054	698
Bonds and securities held in custody	167	2	150	19
Total assets	**$ 31,243**	**$ 468,791**	**$ 434,185**	**$ 65,849**
LIABILITIES:				
Held in custody for others:				
Court funds	$ 7,460	$ 2,163	$ 2,046	$ 7,577
Mortgage tax	2,466	12,714	12,897	2,283
Social services	5,711	91,011	90,078	6,644
Bail and bid deposits	705	696	697	704
Payroll taxes and withholdings	908	309,750	309,774	884
Miscellaneous - other	13,993	52,406	18,642	47,757
Total amounts held in custody for others	31,243	468,740	434,134	65,849
Total liabilities	**$ 31,243**	**$ 468,740**	**$ 434,134**	**$ 65,849**

LIBRARY COMPONENT UNIT

The financial data shown for the Buffalo and Erie County Public Library is derived from records maintained on its behalf by the County. The Library does not issue separate financial statements. The inclusion of the Library as a component unit in the County's basic financial statements reflects the County's financial accountability for this legally separate entity.

Balance Sheet

Library Component Unit
December 31, 2010
(dollars in thousands)

		Library
ASSETS:		
Cash and cash equivalents	$	9,824
Receivables (net of allowances)		
Other		40
Due from primary government		411
Due from other governments		1,800
Prepaid items		664
Total assets	**$**	**12,739**
LIABILITIES:		
Accounts payable	$	531
Accrued liabilities		670
Unearned revenue		689
Total liabilities		**1,890**
FUND BALANCES:		
Reserved for:		
Encumbrances		529
Prepaid items		664
Unreserved:		
Designated		9,629
Undesignated		27
Total fund balances		**10,849**
Total liabilities and fund balances	**$**	**12,739**

Reconciliation of the Balance Sheet

Library Component Unit to the Statement of Net Assets
December 31, 2010
(dollars in thousands)

		Library
Total fund balance - library component unit	**$**	**10,849**
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		17,917
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		(12,911)
Total net assets of library component unit	**$**	**15,855**

Statement of Revenues, Expenditures and Changes in Fund Balance

Library Component Unit

For the year ended December 31, 2010

(dollars in thousands)

	Library
REVENUES:	
Real property taxes and tax items	$ 22,172
Intergovernmental	2,700
Departmental	1,075
Interest	19
Miscellaneous	3,968
Total revenues	**29,934**
EXPENDITURES:	
Current:	
Culture and recreation	27,464
Total expenditures	**27,464**
Net change in fund balances	**2,470**
Fund balance at beginning of year	**8,379**
Fund balance at end of year	**$ 10,849**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance

Library Component Unit to the Statement of Activities

For the year ended December 31, 2010

(dollars in thousands)

		Library
Net change in fund balance - library component unit		**$ 2,470**
Amounts reported for library component unit in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and depreciated. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for capital assets	$ 3,613	
Donated capital assets	34	
Capital assets deleted	(299)	
Less current year depreciation	(3,188)	
Net adjustment		160
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(3,057)
Change in net assets of library component unit		**$ (427)**

OTHER COMPONENT UNITS

Other Component Units of Erie County include:

The financial data shown for the Erie Community College Foundation, Inc., and the Auxiliary Services Corporation of Erie Community College, Inc., is derived from their separately issued financial statements. Both of these entities are included as component units in the County's basic financial statements, based on the fact that they are legally separate entities for which the College and County are financially accountable.

The financial data shown for the Buffalo and Erie County Industrial Land Development Corporation ("ILDC") is derived from their separately issued financial statements. The inclusion of the ILDC as a component unit in the County's basic financial statements reflects the County's financial accountability for this legally separate entity.

Combining Statement of Net Assets

Other Component Units

December 31, 2010

(dollars in thousands)

	College Foundation August 31, 2010	Auxiliary Services Corporation August 31, 2010	ILDC	Total
ASSETS:				
Cash	$ 494	$ 1,689	$ 59	**$ 2,242**
Investments	1,664	-	-	**1,664**
Receivables (net of allowances)	-	192	12	**204**
Inventories	-	44	-	**44**
Prepaid items	-	3	-	**3**
Other assets	6	1,201	236	**1,443**
Capital assets:				
Other capital assets, net of depreciation	-	511	-	**511**
Total assets	**2,164**	**3,640**	**307**	**6,111**
LIABILITIES:				
Accounts payable	4	134	1	**139**
Accrued liabilities	199	1,271	5	**1,475**
Total liabilities	**203**	**1,405**	**6**	**1,614**
NET ASSETS:				
Invested in capital assets, net of related debt	-	511	-	**511**
Restricted for:				
Other purposes	1,773	25	223	**2,021**
Unrestricted	188	1,699	78	**1,965**
Total net assets	**$ 1,961**	**$ 2,235**	**$ 301**	**$ 4,497**

Combining Statement of Activities

Other Component Units

For the year ended December 31, 2010

(dollars in thousands)

	College Foundation August 31, 2010	Auxiliary Services Corporation August 31, 2010	ILDC	Total
EXPENSES:				
Program operations	$ 894	$ 2,668	$ 864	**$ 4,426**
Total expenses	**894**	**2,668**	**864**	**4,426**
PROGRAM REVENUES:				
Charges for services	154	3,049	-	**3,203**
Operating grants and contributions	1,061	-	869	**1,930**
Total program revenues	**1,215**	**3,049**	**869**	**5,133**
Net program revenues	**321**	**381**	**5**	**707**
GENERAL REVENUES:				
Interest earnings not restricted to specific programs	51	-	-	**51**
Total general revenues	**372**	**381**	**5**	**758**
NONOPERATING REVENUES (EXPENSES):				
Interest	-	-	(2)	**(2)**
Other	-	-	(305)	**(305)**
Change in net assets	**372**	**381**	**(302)**	**451**
Total net assets - beginning	**1,589**	**1,854**	**603**	**4,046**
Total net assets - ending	**$ 1,961**	**$ 2,235**	**$ 301**	**$ 4,497**

STATISTICAL SECTION

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

Contents **Page**

Financial Trends.....112

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity.....122

These schedules contain information to help the reader assess two of the County's most significant revenue sources; sales and use taxes and property taxes.

Debt Capacity 130

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information 137

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information.....138

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Net Assets by Component

Last Nine Fiscal Years (1)
(accrual basis of accounting)
(dollars in thousands)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities									
Invested in capital assets net of related debt	$ 414,620	$ 424,596	$ 453,359	$ 422,636	$ 343,309	$ 331,821	$ 330,411	$ 373,664	$ 374,188
Restricted	177,749	106,874	118,461	101,205	23,246	23,071	18,979	16,148	6,231
Unrestricted (deficit)	124,777	42,301	(407,444)	(480,803)	(317,433)	(332,295)	(339,975)	(362,063)	(361,686)
Total governmental activities net assets	**$ 717,146**	**$ 573,771**	**$ 164,376**	**$ 43,038**	**$ 49,122**	**$ 22,597**	**$ 9,415**	**$ 27,749**	**$ 18,733**
Business-type activities (2)									
Invested in capital assets net of related debt	$ 23,479	$ 74,378	$ 6,670	$ 6,775	$ 6,653	$ 7,930	$ 11,141	$ 12,628	$ 14,421
Restricted	5,485	3,893	-	-	-	-	-	-	-
Unrestricted (deficit)	19,287	(34,002)	6,429	6,759	7,892	(1,488)	(5,989)	(13,093)	(18,630)
Total business-type activities net assets	**$ 24,772**	**$ 44,269**	**$ 13,099**	**$ 13,534**	**$ 14,545**	**$ 6,442**	**$ 5,152**	**$ (465)**	**$ (4,209)**
Primary government									
Invested in capital assets net of related debt	$ 438,099	$ 498,974	$ 460,029	$ 429,411	$ 349,962	$ 339,751	$ 341,552	$ 386,292	$ 388,609
Restricted	183,234	110,767	118,461	101,205	23,246	23,071	18,979	16,148	6,231
Unrestricted (deficit)	144,064	8,299	(401,015)	(474,044)	(309,541)	(333,783)	(345,964)	(375,156)	(380,316)
Total primary government net assets	**$ 765,397**	**$ 618,040**	**$ 177,475**	**$ 56,572**	**$ 63,667**	**$ 29,039**	**$ 14,567**	**$ 27,284**	**$ 14,524**

Source: Erie County Basic Financial Statements

Notes:

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

(2) Erie County Medical Center ("ECMC") was sold to the Erie County Medical Center Corporation ("ECMCC") on January 1, 2004. The sale resulted in the elimination of ECMC from the Business-type activity section and the subsequent reporting of ECMCC as a component unit.

The year ended December 31, 2004, was the first year the County's financial statements were prepared in accordance with GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units."

Changes in Net Assets

Last Nine Fiscal Years (1)
(accrual basis of accounting)
(dollars in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010
EXPENSES:									
Primary government:									
Governmental activities:									
General government	$ 80,900	$ 94,547	$ 146,767	$ 124,393	$ 86,640	$ 425,037	$ 418,986	$ 420,026	$ 423,161
Public safety	109,422	118,743	123,046	118,692	128,222	117,687	118,220	122,888	141,543
Health	61,874	70,179	97,512	80,468	110,413	84,283	85,091	89,927	82,855
Transportation	50,801	60,438	55,014	61,850	60,742	61,088	65,292	62,673	72,615
Economic assistance and opportunity	563,179	555,306	607,721	525,492	541,220	574,163	537,650	567,035	579,927
Culture and recreation	29,170	28,431	37,374	20,030	20,278	21,181	29,910	23,754	24,567
Education	48,917	52,548	57,304	62,870	67,310	67,157	66,883	70,716	75,529
Home and community service	44,137	42,528	43,121	44,792	82,954	52,365	52,299	48,628	53,186
Interest and fiscal charges	12,199	15,349	34,630	38,797	49,878	45,938	41,784	39,511	37,833
Total governmental activities expenses	**1,000,599**	**1,038,069**	**1,202,489**	**1,077,384**	**1,147,657**	**1,448,899**	**1,416,115**	**1,445,158**	**1,491,216**
Business-type activities:									
Erie County Medical Center (2)	260,635	276,369	1,847	-	-	-	-	-	-
College (fiscal year ending August 31)	76,350	82,717	91,388	96,750	99,690	112,765	112,401	123,988	132,556
Purchase and resale of utilities	28,606	35,925	38,051	49,656	50,971	46,747	44,902	27,490	28,587
Total business-type activities expenses	**365,591**	**395,011**	**131,286**	**146,406**	**150,661**	**159,512**	**157,303**	**151,478**	**161,143**
Total primary government expenses	**$ 1,366,190**	**$ 1,433,080**	**$ 1,333,775**	**$ 1,223,790**	**$ 1,298,318**	**$ 1,608,411**	**$ 1,573,418**	**$ 1,596,636**	**$ 1,652,359**
PROGRAM REVENUES:									
Primary government:									
Governmental activities:									
Charges for services:									
General government	$ 18,414	$ 18,623	$ 16,398	$ 14,196	$ 20,736	$ 19,521	$ 21,113	$ 25,057	$ 26,794
Public safety	6,863	8,409	8,607	9,030	8,524	9,600	7,290	5,971	5,578
Health	1,776	2,949	4,289	3,173	4,466	3,506	3,717	3,950	2,470
Transportation	1,616	1,982	1,521	1,103	729	-	-	-	-
Economic assistance and opportunity	25,148	28,085	30,363	27,729	26,186	29,495	34,237	29,657	29,008
Culture and recreation	950	1,013	2,592	3,186	3,462	3,265	3,267	6,032	1,552
Education	119	95	95	95	764	95	95	95	95
Home and community service	9,396	10,043	11,679	11,182	10,263	10,863	9,930	11,986	9,311
Operating grants and contributions	359,984	372,664	411,334	418,677	476,963	441,098	402,443	468,793	456,029
Capital grants and contributions	13,867	14,459	12,962	5,421	9,041	6,480	8,661	12,282	25,718
Total governmental activities program revenues	**438,133**	**458,322**	**499,840**	**493,792**	**561,134**	**523,923**	**490,753**	**563,823**	**556,555**
Business-type activities:									
Charges for services:									
Erie County Medical Center (2)	318,933	294,217	-	-	-	-	-	-	-
College (fiscal year ending August 31st)	16,752	19,849	22,962	25,383	25,596	27,327	29,008	30,863	31,144
Purchase and resale of utilities	28,873	36,836	37,763	49,961	51,360	46,905	45,475	27,434	28,805
Operating grants and contributions	24,155	24,552	27,857	30,135	30,471	30,387	31,181	6,790	7,412
Capital grants and contributions	41	67	-	-	-	-	-	-	-
Total business-type activities program revenues	**388,754**	**375,521**	**88,582**	**105,479**	**107,427**	**104,619**	**105,664**	**65,087**	**67,361**
Total primary government program revenues	**$ 826,887**	**$ 833,843**	**$ 588,422**	**$ 599,271**	**$ 668,561**	**$ 628,542**	**$ 596,417**	**$ 628,910**	**$ 623,916**
NET (EXPENSE) / REVENUE:									
Governmental activities	$ (562,466)	$ (579,747)	$ (702,649)	$ (583,592)	$ (586,523)	$ (924,976)	$ (925,362)	$ (881,335)	$ (934,661)
Business-type activities	23,163	(19,490)	(42,704)	(40,927)	(43,234)	(54,893)	(51,639)	(86,391)	(93,782)
Total primary government net expense	**$ (539,303)**	**$ (599,237)**	**$ (745,353)**	**$ (624,519)**	**$ (629,757)**	**$ (979,869)**	**$ (977,001)**	**$ (967,726)**	**$ (1,028,443)**

(Continued)

Last Nine Fiscal Years (1)
(accrual basis of accounting)
(dollars in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:									
Governmental Activities:									
Taxes									
Property taxes levied for mall, sewer, and general purposes	$ 164,621	$ 146,543	$ 157,440	$ 172,741	$ 212,177	$ 223,866	$ 239,333	$ 251,224	$ 257,749
Sales and use taxes	242,031	256,727	256,173	281,019	365,087	656,674	667,783	646,893	661,933
Transfer taxes	8,018	9,250	14,687	11,256	10,720	11,576	8,901	8,553	7,246
Interest earnings not restricted to specific programs	16,442	4,202	1,235	104	-	-	-	-	-
Unrestricted interest earnings	3,351	2,981	2,885	4,760	7,268	7,643	3,994	1,592	1,524
Miscellaneous	10,361	7,261	59,335	7,685	14,460	13,200	8,772	7,896	14,162
Gain on sale of capital assets	126	275	941	108	183	921	559	732	460
Special item - transfer of liability	(4,000)	-	-	-	-	-	-	-	-
Transfers	41,852	9,133	13,291	(15,419)	(17,288)	(15,429)	(17,162)	(17,221)	(17,429)
Total governmental activities	**482,802**	**436,372**	**505,987**	**462,254**	**592,607**	**898,451**	**912,180**	**899,669**	**925,645**
Business-type activities: (2)									
Unrestricted state and local appropriations	22,186	24,042	26,089	25,815	27,894	30,233	32,524	34,049	34,071
Unrestricted interest earnings	381	307	201	403	955	1,128	663	298	146
Federal and state student financial aid	-	-	-	-	-	-	-	29,206	38,392
Loss on sale of capital assets	-	-	-	-	(33)	-	-	-	-
Special item - transfer of liability	4,000	-	-	-	-	-	-	-	-
Transfers	(41,928)	(8,841)	(13,477)	15,144	15,429	15,429	17,162	17,221	17,429
Total business-type activities	**(15,361)**	**15,508**	**12,813**	**41,362**	**44,245**	**46,790**	**50,349**	**80,774**	**90,038**
Total primary government	**$ 467,441**	**$ 451,880**	**$ 518,800**	**$ 503,616**	**$ 636,852**	**$ 945,241**	**$ 962,529**	**$ 980,443**	**$ 1,015,683**
CHANGE IN NET ASSETS:									
Governmental activities	(79,664)	(143,375)	(196,662)	(121,338)	6,084	(26,525)	(13,182)	18,334	(9,016)
Business-type activities	7,802	(3,982)	(29,891)	435	1,011	(8,103)	(1,290)	(5,617)	(3,744)
Total primary government	**$ (71,862)**	**$ (147,357)**	**$ (226,553)**	**$ (120,903)**	**$ 7,095**	**$ (34,628)**	**$ (14,472)**	**$ 12,717**	**$ (12,760)**

(Concluded)

Source: Erie County Basic Financial Statements

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

(2) Erie County Medical Center ("ECMC") was sold to the Erie County Medical Center Corporation ("ECMCC") on January 1, 2004. The sale resulted in the elimination of ECMC from the Business-type activity section and the subsequent reporting of ECMCC as a component unit.

The year ended December 31, 2004, was the first year the County's financial statements were prepared in accordance with GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units."

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund:										
Reserved	$ 44,468	$ 34,070	$ 15,579	$ 15,707	$ 7,085	$ 11,723	$ 12,291	$ 8,361	$ 6,758	$ 11,853
Unreserved (deficit)	147,614	116,211	90,564	(10,774)	7,323	26,510	35,250	49,830	95,080	113,460
Total general fund	**192,082**	**150,281**	**106,143**	**4,933**	**14,408**	**38,233**	**47,541**	**58,191**	**101,838**	**125,313**
All Other Governmental Funds:										
Reserved	$ 45,705	$ 105,559	$ 102,484	$ 96,829	$ 67,678	$ 63,364	$ 56,895	$ 73,361	$ 87,772	$ 62,740
Unreserved, reported in:										
Special revenue funds	14,868	8,429	8,990	6,988	1,456	7,513	8,417	10,879	17,722	19,686
Debt service funds	-	-	-	-	-	-	-	-	-	-
Capital project funds (deficit)	211,915	113,561	41,761	56,411	75,024	58,787	30,277	(18,315)	(69,217)	66,095
Total all other governmental funds	**$ 272,488**	**$ 227,549**	**$ 153,235**	**$ 160,228**	**$ 144,158**	**$ 129,664**	**$ 95,589**	**$ 65,925**	**$ 36,277**	**$ 148,521**

Sources:
Erie County General Purpose Financial Statements 2001
Erie County Basic Financial Statements 2002-2010

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(dollars in thousands)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUES:										
Real property taxes and tax items	$ 164,082	$ 165,439	$ 175,033	$ 159,001	$ 171,011	$ 201,008	$ 213,124	$ 229,874	$ 244,221	$ 253,512
Sales and use taxes	241,814	242,031	256,727	256,173	281,019	365,087	656,674	667,783	647,287	661,933
Transfer taxes	7,360	8,018	9,250	14,687	11,256	10,720	11,576	8,901	8,553	7,246
Intergovernmental	382,255	383,396	393,744	423,443	416,006	478,233	440,722	408,732	481,067	478,484
Interfund revenues	28,893	37,303	40,697	9,876	1,488	250	177	323	426	370
Departmental	60,808	59,241	67,996	72,465	68,549	75,086	76,089	79,173	80,618	74,714
Interest	27,440	23,738	10,944	8,052	14,099	15,083	14,674	6,881	2,931	3,045
Miscellaneous	46,131	15,467	9,847	60,098	7,898	10,608	10,571	8,080	7,199	13,184
Total revenues	**958,783**	**934,633**	**964,238**	**1,003,795**	**971,326**	**1,156,075**	**1,423,607**	**1,409,747**	**1,472,302**	**1,492,488**
EXPENDITURES:										
General government support	74,887	81,164	81,254	97,538	105,998	98,641	368,292	368,288	348,167	361,693
Public safety	101,918	106,929	120,651	119,412	116,455	125,914	117,437	113,984	121,345	134,388
Health	60,838	62,540	71,031	93,095	73,013	72,284	73,355	82,646	88,891	82,090
Transportation	35,448	36,310	37,336	43,274	43,396	41,814	41,755	44,504	42,549	43,909
Economic assistance and opportunity	571,214	584,469	581,186	605,809	524,994	540,667	570,015	537,251	566,664	576,624
Culture and recreation	16,935	18,652	18,243	23,849	17,363	17,577	19,045	21,105	21,389	21,462
Education	43,387	45,893	50,946	55,417	61,137	65,690	65,523	65,169	69,043	73,889
Home and community service	32,889	39,771	38,199	34,182	34,629	77,928	48,198	45,908	42,149	44,324
Capital outlay	74,334	106,558	148,630	133,815	59,237	75,997	48,038	41,966	59,507	93,066
Debt service:										
Principal retirement	21,452	23,148	24,024	21,988	28,790	36,516	43,427	50,875	50,214	47,936
Interest and fiscal charges	22,977	27,050	29,693	35,068	46,435	46,477	44,200	40,482	36,587	38,380
Total expenditures	**1,056,279**	**1,132,484**	**1,201,193**	**1,263,447**	**1,111,447**	**1,199,505**	**1,439,285**	**1,412,178**	**1,446,505**	**1,517,761**
Excess of revenues over (under) expenditures	**(97,496)**	**(197,851)**	**(236,955)**	**(259,652)**	**(140,121)**	**(43,430)**	**(15,678)**	**(2,431)**	**25,797**	**(25,273)**
OTHER FINANCING SOURCES (USES):										
Proceeds of general obligation debt	40,569	63,078	98,011	99,222	103,530	70,205	5,374	-	3,232	249,598
Discount on bond issuance	-	-	-	-	-	(514)	-	-	-	-
Premium on BAN issuance	-	-	-	-	-	-	-	-	1,449	374
Premium on bond issuance	-	4,963	10,140	7,624	4,970	175	-	-	-	27,301
Proceeds of refunding bonds	-	5,340	16,375	-	359,300	-	-	-	-	120
Payments to refunded bond escrow	-	(5,340)	(16,411)	-	(318,963)	-	-	-	-	(99,432)
Sale of property	134	126	275	941	108	183	966	579	742	460
Intergovernmental transfers in	-	78,647	44,429	-	-	-	-	-	-	-
Transfers in	140,472	90,765	116,207	118,131	326,803	443,821	442,068	474,097	455,169	736,133
Operating transfers from component unit	1,148	-	-	-	-	-	-	-	-	-
Transfers out	(102,914)	(127,560)	(151,503)	(94,132)	(342,222)	(461,109)	(457,497)	(491,259)	(472,390)	(753,562)
Operating transfers to component unit	(218)	(40)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	**79,191**	**109,979**	**117,523**	**131,786**	**133,526**	**52,761**	**(9,089)**	**(16,583)**	**(11,798)**	**160,992**
Net change in fund balances	**$ (18,305)**	**$ (87,872)**	**$ (119,432)**	**$ (127,866)**	**$ (6,595)**	**$ 9,331**	**$ (24,767)**	**$ (19,014)**	**$ 13,999**	**$ 135,719**
Debt service as a percentage of non-capital expenditures (1)		**4.8%**	**5.0%**	**4.9%**	**7.0%**	**7.2%**	**6.2%**	**6.6%**	**6.3%**	**6.0%**

Sources:

Erie County General Purpose Financial Statements 2001 and Erie County Basic Financial Statements 2002-2010

Notes:

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

Taxable Sales by Category

Last Ten Fiscal Years

For the year ended February (3)

(dollars in thousands)

Category (1)	Fiscal Year 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 (2)
Utilities (excluding residential energy)	$ 289,519	$ 280,637	$ 338,046	$ 259,929	$ 232,098	$ 273,566	$ 232,426	$ 284,203	$ 250,272	
Construction	182,786	176,990	180,644	182,487	190,572	212,154	214,336	212,232	213,370	
Manufacturing	297,630	283,325	265,758	265,355	297,235	308,463	300,083	321,439	315,551	
Wholesale Trade	893,091	829,797	831,959	843,810	964,666	1,100,928	891,003	852,168	854,732	
Retail Trade Total	4,790,248	5,045,253	5,294,348	6,123,137	6,438,703	6,298,246	5,268,196	5,320,102	5,390,728	
Information	619,956	576,463	511,023	615,798	628,050	634,932	654,575	669,659	690,671	
Professional,Scientific, and Technical	152,055	135,390	120,055	111,439	119,134	145,002	143,624	141,275	142,364	
Administrative/Support Services	294,071	276,940	272,971	222,182	222,762	233,762	241,179	265,412	264,838	
Health Care	14,558	14,157	15,043	16,459	18,991	19,508	19,897	19,312	19,341	
Arts, Entertainment, and Recreation	127,640	132,752	126,818	132,202	120,079	131,973	160,952	170,063	151,751	
Accommodation and Food Services	979,827	1,011,033	1,034,597	1,062,671	1,097,432	1,143,990	1,203,967	1,316,380	1,377,550	
Other Services Total	357,842	359,194	372,312	394,676	409,015	440,689	385,859	400,801	415,865	
Agriculture, Mining, Transportation, Fire, Education, Government.	428,627	460,155	433,791	422,619	408,714	452,309	502,209	562,164	519,183	
Unclassified by Industry	104,299	12,291	42,877	47,045	49,798	74,704	96,398	70,900	73,631	
Total	**$ 9,532,148**	**$ 9,594,374**	**$ 9,840,244**	**$ 10,699,809**	**$ 11,197,248**	**$ 11,470,225**	**$ 10,314,703**	**$ 10,606,108**	**$ 10,679,846**	**$ -**
County Direct Sales Tax Rate	**2.06%**	**2.06%**	**2.06%**	**2.06%**	**2.31%**	**2.81%**	**2.81%**	**2.81%**	**2.81%**	**2.81%**

Source: New York State Department of Taxation and Finance

Notes:

(1) Detailed information regarding payers or remitters is not available.

(2) Taxable Sales by Category is not available.

(3) NYS Department of Taxation & Finance's reporting period is March to February.

Assessed and Equalized Full Value of Taxable Property (1)

Last Ten Fiscal Years

(dollars in thousands)

Fiscal Year	Residential Property (2)	Commercial Property (2)	Total Assessed Property Value	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Actual Taxable Equalized Full Value	Assessed Value (1) as a Percentage of Equalized Full Value
2001	$ -	$ -	$ 29,042,626	$ 2,193,120	$ 26,849,506	5.99%	$ 31,941,365	84.06%
2002	-	-	28,539,704	2,059,013	26,480,691	6.09%	32,145,256	82.38%
2003	-	-	29,065,096	2,038,457	27,026,639	5.86%	33,576,174	80.49%
2004	-	-	29,627,131	2,069,944	27,557,187	5.76%	34,479,047	79.92%
2005	-	-	30,428,497	2,151,762	28,276,735	5.66%	35,980,745	78.59%
2006	22,824,388	9,589,325	32,413,713	2,248,397	30,165,316	6.23%	38,102,216	79.17%
2007	23,419,992	9,929,590	33,349,582	2,184,257	31,165,325	6.28%	40,477,682	76.99%
2008	25,566,393	8,864,027	34,430,420	2,308,570	32,121,850	6.39%	42,821,246	75.01%
2009	26,426,841	9,383,744	35,810,585	2,408,149	33,402,436	6.38%	44,382,615	75.26%
2010	27,465,909	9,743,878	37,209,787	2,358,179	34,851,608	6.56%	46,120,910	75.57%

Source: Erie County Department of Real Property Tax Services

Notes:

(1) Equalization rates are provided by New York State and applied by the County to the assessed valuation of taxable real estate to arrive at equalized full value which is comparable to estimated actual value.

(2) Pre-2006 breakdown of residential and commercial property value is not available.

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per $1,000 of assessed value)

	Erie County Direct Rates			Overlapping Rates			
Fiscal Year	General Fund	Special Revenue Funds	Total Direct	Cities, Towns & Villages	School Districts	Special Districts	City of Buffalo (1)
2001	$ 4.71	$ 1.28	$ 5.99	$ 3.86	$ 18.36	$ 5.48	$ 24.28
2002	4.75	1.34	6.09	3.89	18.49	5.32	25.10
2003	4.54	1.32	5.86	3.95	18.40	5.39	25.04
2004	4.42	1.34	5.76	4.07	18.80	5.51	26.64
2005	4.38	1.28	5.66	4.23	18.99	5.73	27.47
2006	4.94	1.29	6.23	4.19	18.64	5.63	26.70
2007	4.94	1.34	6.28	4.21	18.23	5.33	26.08
2008	4.95	1.44	6.39	4.01	17.76	5.06	24.53
2009	5.03	1.35	6.38	3.94	17.67	5.10	23.88
2010	5.04	1.52	6.56	3.92	17.10	4.87	23.27

Source: Erie County Department of Real Property Tax Services

Notes:
(1) City of Buffalo is presented separately and is, therefore, not included in the column for cities, towns, and villages.

The rate shown for the City of Buffalo includes the levy for the Buffalo School District which receives funding from the City and is unable to levy taxes.

Principal Taxpayers

Current Year and Nine Years Ago

	2010			2001		
Taxpayer	Equalized Full Value	Rank	Percentage of Equalized Full Value (1)	Equalized Full Value	Rank	Percentage of Equalized Full Value (1)
National Fuel Gas	$ 1,358,291,754	1	2.95%	$ 560,487,448	1	1.75%
National Grid / Niagara Mohawk	1,238,546,528	2	2.69%	475,408,677	2	1.49%
Huntley Power LLC	801,594,639	3	1.74%			
Benderson Development Company	732,973,522	4	1.59%	341,632,312	3	1.07%
Verizon New York Inc. / Bell Atlantic	635,604,177	5	1.38%	252,576,823	4	0.79%
NY State Electric & Gas Corporation	496,233,151	6	1.08%	223,924,396	5	0.70%
BG Properties, LLC	335,655,541	7	0.73%			
Pyramid Company of Buffalo	334,647,097	8	0.73%	133,100,153	7	0.42%
DDR MDT LLC	257,990,376	9	0.56%			
Norfolk / Conrail / CSX	235,038,907	10	0.51%	172,406,229	6	0.54%
Hamburg Assoc. Ltd				58,756,180	8	0.18%
Boulevard Mall				55,957,000	9	0.18%
Wegman's Food Market				53,227,411	10	0.17%
Totals	**$ 6,426,575,692**		**13.93%**	**$ 2,327,476,629**		**7.29%**

Source: Erie County 2010 & 2001 Annual Reports published by the Department of Real Property Tax Services

Notes:
(1) Percentage of equalized full value is calculated by dividing the valuation shown for each of the listed taxpayers by the County's total equalized full value (excluding exemptions).

Property Tax Levies And Collections

Last Ten Fiscal Years

Fiscal Year	County Property Taxes Levied (1)	All Other Property Taxes Levied (2)	Total Property Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2001	$ 152,529,551	$ 272,025,188	$ 424,554,739	$ 411,135,430	96.84%	$ 13,284,507	$ 424,419,937	99.97%
2002	152,529,551	278,036,112	430,565,663	416,506,625	96.73%	13,947,456	430,454,081	99.97%
2003	152,529,551	294,505,821	447,035,372	446,461,743	99.87%	475,857	446,937,600	99.98%
2004	152,529,551	311,903,684	464,433,235	463,669,059	99.84%	477,692	464,146,751	99.94%
2005	157,641,299	335,876,407	493,517,706	492,180,009	99.73%	1,192,731	493,372,740	99.97%
2006	188,094,445	352,486,078	540,580,523	528,350,674	97.74%	10,267,778	538,618,452	99.64%
2007	200,031,205	369,188,266	569,219,471	555,858,355	97.65%	10,551,329	566,409,684	99.51%
2008	211,837,793	378,978,530	590,816,323	575,132,293	97.35%	9,984,187	585,116,480	99.04%
2009	223,306,326	388,893,461	612,199,787	595,839,865	97.33%	6,300,742	602,140,607	98.36%
2010	232,413,974	405,958,043	638,372,017	622,129,950	97.46%	N/A	622,129,950	97.46%

Sources:
Erie County Department of Real Property Tax Services
Erie County Govern Tax Collection System

Notes:
(1) Totals shown exclude amounts levied in accordance with State law to recover election expenditures from the municipalities that were incurred by the County.

(2) Totals shown are primarily comprised of taxes levied for the benefit of County towns, re-levy of uncollected school and village taxes, and sewer district taxes and user charges. See Note V - Property Taxes beginning on page 44 for more information on the annual property tax levy process.

N/A = Not Applicable

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities: General Obligation Bonds (1)	Business-type Activities (2): General Obligation Bonds	Total Primary Government	Percentage of Personal Income (3)	Per Capita (3)
2001	$ 172,056	$ 33,588	$ 205,644	0.76%	$ 218
2002	211,372	26,730	238,102	0.87%	253
2003	285,261	21,988	307,249	1.08%	328
2004	368,760	-	368,760	1.24%	395
2005	432,749	-	432,749	1.42%	468
2006	444,701	-	444,701	1.39%	484
2007	407,047	-	407,047	1.24%	446
2008	364,345	-	364,345	1.03%	401
2009	324,418	-	324,418	0.93%	357
2010	440,523	-	440,523	N/A	479

Sources:
Erie County General Purpose Financial Statements 2001
Erie County Basic Financial Statements 2002-2010

Notes:
(1) Excludes self-supporting debt (i.e., ETASC tobacco bonds, sewer bonds, ECMCC guaranty). Amount reported is net of resources restricted for principal repayment of general bonded debt.

(2) Erie County Medical Center ("ECMC") was sold to the Erie County Medical Center Corporation ("ECMCC") on January 1, 2004. The sale resulted in the elimination of ECMC from the Business-type activity section and the subsequent reporting of ECMCC as a component unit.

(3) See the "Demographic and Economic Statistics" on page 137 for personal income and population data.

N/A = Not Available

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(dollars in thousands, except per capita)

Fiscal Year	General Net Bonded Debt Outstanding (1,2,3,4)	Percentage of Actual Taxable Value (5) of Property	Per Capita (6)
2001	$ 205,644	0.77%	$ 218
2002	238,102	0.90%	253
2003	307,249	1.14%	328
2004	368,760	1.34%	395
2005	432,749	1.53%	468
2006	444,701	1.47%	484
2007	407,047	1.31%	446
2008	364,345	1.13%	400
2009	324,418	0.97%	357
2010	439,892	1.26%	479

Sources:
Erie County General Purpose Financial Statements 2001
Erie County Basic Financial Statements 2002-2010

Notes:
(1) 2003 to 2010 - Excludes Library Component Unit bonds.

(2) Does not include sewer bonds which are considered self-supporting debt.

(3) Excludes ECMCC bond guaranty of $101,375 for 2004-2008, $99,305 for 2009 and $97,150 for 2010.

(4) Net of resources restricted for principal repayment of general bonded debt.

(5) See the "Assessed and Equalized Full Value of Taxable Property" schedule on page 124 for property value data.

(6) See the "Demographic and Economic Statistics" schedule on page 137 for population data.

Legal Debt Margin Information

Last Ten Fiscal Years

(dollars in thousands)

	Fiscal Year			
	2001	2002	2003	2004
Debt limit	$ 2,239,737	$ 2,241,906	$ 2,261,150	$ 2,294,474
Total net debt applicable to limit	221,209	256,296	326,390	485,500
Legal debt margin	**$ 2,018,528**	**$ 1,985,610**	**$ 1,934,760**	**$ 1,808,974**
Total net debt applicable to the limit as a percentage of debt limit	**9.88%**	**11.43%**	**14.43%**	**21.16%**

Sources:
Property value - NYS Office of the State Comptroller - Data Management Unit
Indebtedness and exclusions - Erie County Comptroller's Office
Erie County General Purpose Financial Statements 2001
Erie County Basic Financial Statements 2002-2010

Notes:

(1) The computation of net debt-contracting margin performed by municipalities in New York State is akin to the computation of legal debt margin performed by municipalities in other states.

(2) Equalization rates are provided by New York State and applied by the County to the assessed valuations of taxable real estate to arrive at equalized full value.

(3) Per New York State constitution, the county's outstanding general obligation debt should not exceed 7 percent of total average five-year assessed property value.

Legal Debt Margin Calculation for Fiscal Year 2010 (1)		
Full value (average five-year valuation) (2)		$ 42,320,466
Debt limit (7 % of assessed value) (3)		2,962,433
Debt applicable to limit:		
General obligation bonds	$ 614,448	
Less: sewer bond exclusions	(68,575)	
Total net debt applicable to limit		545,873
Legal debt margin		**$ 2,416,560**

Fiscal Year					
2005	2006	2007	2008	2009	2010
$ 2,353,716	$ 2,439,968	$ 2,556,622	$ 2,680,794	$ 2,820,171	$ 2,962,433
548,031	562,286	524,913	480,620	436,259	545,873
$ 1,805,685	**$ 1,877,682**	**$ 2,031,709**	**$ 2,200,174**	**$ 2,383,912**	**$ 2,416,560**
23.28%	**23.04%**	**20.53%**	**17.93%**	**15.47%**	**18.43%**

Pledged-Revenue Coverage

Last Ten Fiscal Years

(dollars in thousands)

	Tobacco Securitization Asset Backed Bonds									
Fiscal Year	Tobacco Settlement Revenue	Interest Earnings	Bond Proceeds Restricted for Future Debt Service	Operating Transfer-Out	Carry-forward of Prior Year Fund Balance Restricted for Future Debt Service	Net Proceeds of Refunding Bonds	Less: Operating Expenses	Net Available Resources	Debt Service Principal	Debt Service Interest	Coverage
2001	$ 15,257	$ 1,687	$ -	$ (200)	$ 30,846	$ -	$ -	$ 47,590	$ -	$ 12,047	3.95
2002	15,477	1,520	-	(200)	35,543	-	-	52,340	2,495	15,490	2.91
2003	14,035	1,456	-	(200)	34,355	-	(10)	49,636	2,900	15,336	2.72
2004	17,602	1,506	-	(200)	31,400	-	(3)	50,305	-	15,958	3.15
2005	17,850	6,412	-	(56,718)	34,347	40,316	(9)	42,198	1,070	21,715	1.85
2006	16,331	1,207	17,233	(15,738)	19,413	-	(62)	38,384	1,725	16,697	2.08
2007	17,030	1,317	-	(141)	19,962	-	(23)	38,145	3,255	14,950	2.10
2008	18,064	163	-	(100)	19,940	-	(24)	38,043	3,865	14,285	2.10
2009	19,422	13	-	(100)	19,893	-	(12)	39,216	5,265	13,539	2.09
2010	15,925	86	-	(202)	20,412	-	-	36,221	2,875	13,382	2.23

Source: ETASC Financial Statements 2001-2010

Notes:

The year ended December 31, 2004, was the first year the County's financial statements were prepared in accordance with Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations Are Component Units."

Direct And Overlapping Governmental Activities Debt

As of December 31, 2010

(dollars in thousands)

Governmental Unit	Fiscal Year Ended	Net Debt Outstanding (1)	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Cities	06/30/09	$ 216,237	100%	$ 216,237
Towns	12/31/09	180,215	100%	180,215
Villages	05/31/09	23,858	100%	23,858
School districts	06/30/09	1,733,689	100%	1,733,689
Fire districts	12/31/09	10,376	100%	10,376
Subtotal, overlapping debt				**2,164,375**
County direct debt				**545,872**
Total direct and overlapping debt				**$ 2,710,247**

Sources:
Net debt outstanding of Erie County - Erie County Comptroller's Office
All other information - Latest available from the New York State Office of the State Comptroller

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

Demographic and Economic Statistics

Last Ten Calendar Years

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	School Enrollment (Grades K-12)	Unemployment Rate
2001	945,165	26,896,560	28,457	165,265	4.7%
2002	940,645	27,198,750	28,915	163,323	5.4%
2003	936,931	28,352,469	30,261	158,748	5.8%
2004	932,002	29,687,992	31,854	155,411	5.7%
2005	923,820	30,522,089	33,039	152,169	5.2%
2006	916,292	31,874,134	34,786	150,174	5.0%
2007	911,784	32,943,811	36,116	155,280	4.8%
2008	909,858	35,298,163	38,795	152,366	5.7%
2009	909,247	35,047,750	38,546	143,936	8.3%
2010	919,040	N/A	N/A	141,583	8.2%

Sources:
Population: *The 2001 to 2009 estimates were compiled by the NYS Department of Commerce and the NYS Department of Economic Development, respectively, using data provided by the United States Bureau of the Census. 2010 is the decennial census of the population conducted by the federal government.* ***Personal Income:*** *United States Department of Commerce, Bureau of Economic Analysis; material compiled by NYS Department of Commerce.* ***School Enrollment:*** *NYS Education Department, Information Center on Education. School enrollment data represents the 2000-2001 to 2009-2010 school years.* ***Unemployment Rate:*** *NYS Department of Labor.*

Notes:
N/A = Not Available

Principal Employers

Current Year and Nine Years Ago

	2010			2001		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
State of New York	27,995	1	6.55%	15,608	1	3.53%
U.S. Government	10,000	2	2.34%	11,482	2	2.60%
Kaleida Health	10,000	3	2.34%	5,243	6	1.19%
City of Buffalo	8,215	4	1.92%	11,255	3	2.54%
Catholic Health System	6,230	5	1.46%	4,314	8	0.98%
Employer Services Corp	6,089	6	1.42%			
Tops Markets Inc	5,103	7	1.19%	4,253	10	0.96%
HSBC Bank USA, N.A.	5,000	8	1.17%	5,500	5	1.24%
M & T Bank	4,611	9	1.08%	4,300	9	0.97%
County of Erie (1)	3,971	10	0.93%	6,433	4	1.45%
U.S. Postal Service				4,475	7	1.01%
Total	**87,214**		**20.39%**	**72,863**		**16.47%**

Sources:
Erie County employment - Erie County Comptroller's Office
Total employed within Erie County - NYS Department of Labor
All other employer data - Business First - Book of Lists

Notes:
(1) Represents filled full-time positions excluding positions for Erie Community College.

Full-time County Government Employees by Function (1)

Last Seven Fiscal Years (2)

Function	Fiscal Year 2004	2005	2006	2007	2008	2009	2010
General government support	881	631	668	671	627	642	630
Public safety	1,276	1,149	1,172	1,091	1,181	1,169	1,197
Health	397	300	305	300	316	277	267
Transportation	239	146	150	153	151	160	151
Economic assistance and opportunity	1,699	1,481	1,569	1,624	1,559	1,521	1,442
Culture and recreation	165	97	104	99	81	75	36
Education	47	40	36	35	32	34	31
Home and community service	261	230	244	247	240	235	217
Total	**4,965**	**4,074**	**4,248**	**4,220**	**4,187**	**4,113**	**3,971**

Source: Erie County Comptroller's Office

Notes:
(1) Excludes Erie Community College.

(2) A new enterprise software system was implemented in 2004. Data from the prior system is not readily available.

Operating Indicators by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government support										
Major construction projects successfully completed	27	31	30	33	20	6	4	5	12	12
Motor vehicle registrations processed by County Clerk	306,816	321,624	322,000	317,489	202,071	213,558	267,682	249,733	244,026	367,533
Cases prosecuted by the District Attorney's Office	56,255	57,569	54,838	50,895	53,015	55,010	51,718	47,792	46,419	60,705
Public safety										
Sheriff's calls for service	66,137	66,000	65,083	66,850	62,909	77,257	88,486	88,863	84,259	70,829
Vehicle and traffic arrests	14,212	15,250	12,950	13,963	7,410	7,694	8,432	10,835	11,363	12,764
Inmate population-Holding Center (average per day)	561	599	547	594	562	584	555	500	479	495
Inmate population-Correctional Facility (average per day)	803	911	873	925	917	924	914	864	866	855
Probation cases-supervised	8,162	8,482	8,486	7,803	9,200	9,640	11,705	5,410	6,048	7,233
Fire personnel trained	6,000	6,200	6,800	6,800	6,800	6,800	7,000	5,115	5,143	5,118
Health										
Patient visits - pediatric care	7,367	6,028	5,377	5,219	3,528	3,013	2,950	2,953	2,932	92 (1)
Persons served by Mental Health agencies (per month)	33,819	33,822	35,195	31,881	30,096	33,217	32,161	28,921	26,845	25,340
Transportation										
Bridges Inspected	78	220	71	240	85	246	71	248	78	244
Miles of roads receiving surface treatment	110	47	140	100	120	106	142	211	141	181
Economic assistance and opportunity										
Home Energy Assistance Program payments administered	136,397	105,200	113,200	116,575	138,777	120,000	108,909	119,758	185,447	159,047
Number of clients enrolled in Medicaid Managed Care programs	60,800	62,529	69,935	72,485	73,047	69,434	66,755	76,615	89,331	97,777
Senior services home care to frail elderly (hours)	76,716	77,344	90,479	84,801	63,781	119,076	119,426	106,420	83,015	95,477
Culture and recreation										
Park attendance	1,622,300	1,415,246	1,459,370	1,667,156	824,476	1,758,528	1,755,000	1,700,000	1,900,000	1,985,500
Rounds of golf played	102,499	83,672	79,481	83,401	85,005	62,187	68,215	67,558	67,298	60,129
Education										
Children with special needs receiving service	3,384	3,664	4,231	4,666	5,263	4,549	4,577	4,206	4,182	4,168
Home and community service										
Sewer flow per day (millions of gallons)	39	45	41	44	43	45	43	59	59	56

Source: Various County Departments

Notes:
(1) Clinics were closed effective June 30, 2010.

Capital Asset Statistics by Function

Last Nine Fiscal Years (1)

Function (2)	Fiscal Year 2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety									
Emergency communication stations	2	2	1	1	1	1	1	1	1
Training centers operated by the County	3	3	3	3	3	3	3	3	3
Correctional facilities	1	1	1	1	1	1	1	1	1
Holding centers	1	1	1	1	1	1	1	1	1
Health									
Hospital	1	1	0	0	0	0	0	0	0
Home and Infirmary	1	1	0	0	0	0	0	0	0
Health Department clinics / in County-owned buildings	11 / 5	11 / 5	11 / 5	11 / 5	11 / 5	11 / 5	11 / 5	11 / 5	4 / 4 (4)
Transportation									
Miles of roads	1,172	1,200	1,200	1,200	1,180	1,168	1,187	1,187	1,187
Highway maintenance facilities	11	10	5	5	5	5	5	5	5
Culture and recreation									
Parks	19	19	19	19	19	19	23	23	23
Park acreage	10,657	10,657	10,657	10,657	10,657	10,657	10,247	10,247	10,247
Golf courses	2	2	2	2	2	2	2	2	2
Education									
Erie Community College campuses	3	3	3	3	3	3	3	3	3
Erie Community College full-time student headcount (3)	6,970	7,451	7,961	8,215	8,198	8,228	8,404	8,874	9,560
Erie Community College library volumes	160,605	159,408	149,039	139,757	145,174	146,574	135,097	126,537	125,272
Home and community service									
Miles of sanitary sewer	817	698	703	708	821	928	931	937	1,041
Miles of storm sewer	47	47	47	47	47	47	47	47	48
Pumping stations	79	77	77	77	94	100	100	97	98
Grinder pumps	430	453	462	462	462	463	463	463	463

Source: Various County Departments

Notes:

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

(2) No capital asset indicators are available for general government support and economic assistance and opportunity functions.

(3) Average per semester.

(4) Seven clinics were closed effective June 30, 2010.